

JPRS-EEI-84-055

10 May 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

FBIS

FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

10 May 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

CONTENTS

BULGARIA

Briefs	
Electronics Exports to Increase	1

GERMAN DEMOCRATIC REPUBLIC

INTERFLUG Director Discusses Future Expansion (Klaus Henkes Interview; FLUG REVUE, Mar 84).....	2
Structure, Production of Textile Industry Examined (A. Koch; DIW-VIERTELJAHRSCHEFT, No 4, 1983).....	11

HUNGARY

Head of Materials, Price Office Questions Economic Policy (Bela Csikos-Nagy; VALOSAG, No 3, Mar 84).....	30
---	----

POLAND

Gorywoda Surveys Economic Scene on Eve of Party Conference (Marian Gorywoda Interview; POLITYKA, No 12, 17 Mar 84).....	42
Briefs	
Falling Product Quality Facts	52
Heavy Industry Projects Go-Ahead	52

ROMANIA

Importance of High-Quality Products Stressed (Ilie Radulescu; ERA SOCIALISTA, No 6, 25 Mar 84).....	53
--	----

Data on Industrial Installation Export Enterprise	
(Liana Melteanu; ERA SOCIALISTA, No 6, 25 Mar 84).....	71
Briefs	
Winter-Martynov Meeting	77

BULGARIA

BRIEFS

ELECTRONICS EXPORTS TO INCREASE--By 1985 the percentage of mechanical engineering and electronics in the total Bulgarian export is to be raised to 60 percent. Presently it amounts to 52 percent. According to information from Sofia, an accelerated modernization, and thus automation as well, of products in these branches of industry is necessary in order to achieve this goal. For this reason, there are plans to put into action in mechanical engineering and electronics factories by 1985 a total of 4,000 high-performance machines, 2,000 of them numerically actuated, as well as over 3,000 industrial robots, according to the sources. It can be assumed that a large part of this equipment will have to be imported from Western industrial countries.
/Text/ /Munich COMPUTERWOCHE in German 20 Jan 84 p 33/ 12271

CSO: 3698/351

GERMAN DEMOCRATIC REPUBLIC

INTERFLUG DIRECTOR DISCUSSES FUTURE EXPANSION

Stuttgart FLUG REVUE in German Mar 84 pp 38-44

[Dieter Riwola interview with Dr Klaus Henkes, deputy minister for transportation of the GDR and director general of INTERFLUG (date and place of interview not indicated): "Journal--the GDR Civil Airline Interflug; True to the Line"]

[Text] "All of us employees here are true to the line, and we do not care much for casual dealings."

The young, very attractive, smartly dressed stewardess says this jokingly and slyly at the lunch with crew members. The airline of the German Democratic Republic is doing the honors and allowing us these first impressions of its socialist structure. FLUG REVUE is the guest of Dr Klaus Henkes, director general of Interflug, who at the same time is a lieutenant general in the GDR People's Army, deputy minister for transportation, the top boss of the air traffic control system, and in charge of all the airports in the GDR. This high-ranking SED member has a degree of power in his hands which is extremely rare in the airline industry anywhere in the world.

As the top man, he decides on and manages everything having to do with aviation in the GDR. Under his leadership, the state-owned enterprise Interflug has become a well-functioning airline of this workers and peasants state. After initial teething troubles, its "doctor" has made it healthy: Today this socialist airline has unquestionably become a competitive and acknowledged factor in world air transportation, with this having been done under the most difficult of conditions. Applause is now in order here, even if one takes a critical view of the national regime of the GDR.

Even Western experts acknowledge that Interflug has had outstanding achievements. In recent years, the "Red Prussians" in the air have become respected partners of

numerous airline companies on many continents. The passengers, totaling 1.3 million last year, are satisfied with the services on board and with its punctuality.

However, the effectiveness and efficiency with which this doctor of military sciences runs the GDR's regular transport service make it impossible to give any consideration to the civilian habits of its passengers. The rapid and precise turnaround of the airplanes forces the company to set departure and arrival times which would be accepted by very few passengers in the Western World: The airplanes take off and land every hour of the night and day, and in this other Germany there is no ban on departures or landings at night.

Almost 2 billion GDR marks worth of business per year are generated in this way by the Interflug State Enterprise under the leadership of its director general. If all its employees are thrifty and work industriously, the GDR's finance minister will take into his vaults approximately 200 million GDR marks of profit.

The pay for its employees: The captain of an Il-62-M receives a net pay of about 3,500 marks, including an extra flight allowance. A stewardess who has flown for 5 years earns about 1,300 GDR marks. Compared to the roughly 16,000 marks earned by a jumbo-jet captain or the 4,000 marks of a stewardess in the West, the pay of their Eastern colleagues appears to be very modest. Even the director general himself has only small figures appearing on his salary account. I speculate: This should amount to about 5,000 marks--for all five positions. Comparable work with a Western airline would be remunerated to the tune of 35,000 marks. Nevertheless the Interflug salaries are considerably above the average pay of GDR citizens.

Every third employee of Interflug is an SED member. Put this really does not give him more advantages than the other employees, its chief boss says to me. By the way, even in their civilian role with Interflug all captains and copilots are also officers of the GDR Air Force.

Dr Henkes is an exceedingly sensible man, and despite many duties which he carries out in a workday which is over 12 hours long, he has remained very human. The employees--who number at least 7,200--feel at ease around him. The chief philosopher of the national policy is loath to answer questions concerning aviation policy. These are reserved for the political bodies, and moreover at the moment no such questions would arise in an acute fashion. For him, "good cooperation" with Deutsche

Lufthansa is a given fact. Roguishly he says: "In no way are we in mutual competition in the field of air transportation, and that is probably the best cooperation that I can imagine at the moment."

If this border and the over-thorough border controls did not exist, if the flight clearance and above all the distributing of suitcases after the flight went somewhat more quickly, Interflug would have even far more passengers to transport than it does at present. Last year, 382,000 West Berliners and West-German passengers flew from Berlin-Schoenefeld on all the socialist airlines, and of this number 200,000 flew on Interflug.

But one thing is both clear and true: If these controls should ease someday and many things having to do with arrivals should proceed more rapidly and less bureaucratically, then due to the really low air fares of Interflug compared to Western companies, the volume of traffic handled by West Berlin's Tegel Airport will be put at risk. This is said quite unequivocally by West Berliners and specialists in West German travel bureaus. Because even with its deep-red coloration, Interflug is a good German airline.

Flying With Marx at the Back of One's Mind

[Question] Dr Henkes, in recent years very many West Berliners, West Germans, Scandinavians, and Netherlanders have flown on holiday or taken off for business trips from Berlin-Schoenefeld on the carrier Interflug. In the future as well, Interflug will have a role to play for Western passengers. In the FRG, despite its achievements your airline is not as well known as Deutsche Lufthansa or other Western or even Eastern airlines. How large is Interflug, how many people and how many planes does it employ, who are its bosses and managers, and what new activities are being planned in your firm for the coming years?

[Answer] Interflug is an outfit which consists of five different enterprises. These enterprises are Verkehrsflug [commercial aviation system], Agrarflug [agricultural aviation], the long-distance reconnaissance, exploration, and industrial aviation system, the airports enterprise, and the air traffic control enterprise.

With a route system 125,000 kilometers in length, with flights to 50 cities abroad, and with a passenger load of 2.3 billion person-kilometers, Interflug's Verkehrsflug is one of the smaller commercial aviation enterprises in the world.

With almost 5 million hectares of agricultural, horticultural, and forest areas treated annually, Interflug is one of the major agricultural aviation outfits in the world.

On 5 million hectares of the 6.3 million hectares of agricultural area in the GDR, the jobs of seeding, fertilizing, pest control, and fire-fighting are carried out. In the agricultural sector this leads to a reduction in needed manpower and ground equipment and to an independence from negative influences due to the weather.

The same thing can be said also about the industrial-aviation and long-distance reconnaissance services of Interflug. Here, in addition to the almost 10,000 missions flown, in like manner it is also the high precision of 3 to 4 millimeters with which our pilots perform their montage work in industry which places us in the front ranks of industrial-aviation enterprises. The times needed for general repairs and reconstructions of large industrial facilities are thus shortened to between 20 and 30 percent of what they otherwise would be.

Interflug is headed by a director general. It is among those transport companies which are placed under the Ministry for Transportation of the GDR.

[Question] Interflug flies above all to socialist states and East-European areas. In the future, will its offerings include also more Western capitals or vacation regions? What new things are you considering? Is Interflug entertaining ideas of including new ports of destination in its route system? For example in South America, in Asia, or in Europe?

[Answer] As far as the number is concerned, Interflug flies about 90 percent of its passengers to socialist states. As for its ports of destination, out of 50 foreign airports Interflug has flights to 26 in non-socialist states.

In drawing up its route system, Interflug proceeded from the following basic considerations: The economic needs of the GDR, the requirements as to Interflug's efficiency in business-management terms, and finally the aim of completeness for the route system of the socialist airlines in toto.

Here priority goes to satisfying the needs of our economy. Interflug will develop to the same degree as the economy develops in volume and scope. But in the coming years the intensification of air service will certainly take precedence over expansion.

[Question] Do you want to say something about the expansion plans of Interflug? Are new airplanes being procured, or are improvements being made in the ground installations?

[Answer] As concerns the figure, with its present airliner fleet Interflug has reached what we believe is the ideal optimum of 40 to 50 airplanes for small airlines. This figure is also in keeping with the capacity of our maintenance and repair hangars and with the number of five commercial airports in the GDR from where we fly our aircraft.

[Question] The aircraft fleet of your company consists exclusively of types of airplanes of Soviet origin. Do you think that in the future you

also--like the Yugoslavs--could be flying Western models of aircraft? What is the Russian aircraft market offering in the future in terms of new models which would be suitable for you?

[Answer] Interflug's airplane types IL-62, TU-134, IL-18, Mi-8, and Ka-26 come from the Soviet aircraft industry, the airplane types L-410 and Z-37 from the Czechoslovak industry, and the types PZL-106, PZL-103, and AN-2 from the Polish industry. As far as performance, safety, and efficiency are concerned, Interflug attains to a high international standard with these airplanes. In the case of the commercial-airline services, this results from the conformity between the performance and capacity characteristics of these airplanes and the requirements of the small to intermediate flow--in terms of frequency and volume--of passengers and air freight which needs to be handled by Interflug.

In the case of air safety, this results from the masterfully made designs--in terms of strength, aerodynamics, and psychological engineering--of the Ilyushin and Tupolev, which even in the most complicated situations never become treacherous and always continue to be controllable. In the case of efficiency, this results from the harmony which can be realized with the aircraft used with respect to transport needs, transport range, and economic employability in the short, intermediate, and long distance ranges.

For example, with the IL-62-M Interflug has the long-distance aircraft which is the most satisfactory, in terms of comprehensive economic considerations, for intermediate volumes of passengers.

In my opinion, a no smaller percentage of the growth in efficiency is the result also of the direct personal contact between pilots and engineers on the one hand and the general designers of Tupolev and Ilyushin on the other at the regularly conducted pilots' and engineers' conferences of Interflug. The Soviet design offices are developing their new airplane types on the basis of the requirements which are conveyed to them from the Commission for Civil Aviation of CEMA (Council for Economic Mutual Assistance).

These requirements are the result of the scientific work done by specialists with all the socialist airlines aimed at determining the optimal type of aircraft for the respective application.

[Question] In your view, what is the source of the competitiveness of Interflug on the world airline market?

[Answer] The chief reason for this competitiveness lies in the comprehensiveness of the reproduction process in the five enterprises of Interflug. Interflug manages this by actualizing the synergy effect discovered by Karl Marx in Volume 1 of his "Das Kapital" (synergy = the combined action of various factors or organs working toward a common, coordinated result) and by bringing into play the thereby resulting power of associations. According to Marx, the prerequisites for this are regarded to be the organizing of a harmonious, undivided, and uninterrupted operation by many hands at the same time. The technological cohesiveness

of the complex of airline concerns such as training and maintenance, the complete unity of airline enterprise, airports, and air traffic control, and the perfect matching of capacity and needs in terms of space and time enable Interflug to create that all-round harmony of combined action called for by Marx. Moreover in its work in the international airline market, Interflug rigorously needs the laws and rules in effect there. These are at our disposal directly in the form of a scientific comprehensive analysis. Using this analysis, the internationally known theoretician and top manager in the capitalist airline sector, the former president of the SAS [Scandinavian Airlines System], Mr Hagerup, received a doctorate not so long ago at our Advanced School for Transportation in Dresden.

[Question] The professional quality of your air crews is described as excellent by experts. In your firm, at the GDR airline, what prerequisites are there for young people who want to be employed as captains, copilots, or flight engineers? What quality requirements do you set for your applicants? Do you have your own training center, or alternatively with what friendly companies do you conduct joint training?

[Answer] The primary origin of the technical proficiency of our air crews is the political, pedagogic, and polytechnical content of our socialist educational system.

With this as a basis, the flying activity of our young people begins at the age of 14 years in the glider and powered flights of the "Society for Sport and Technology," and it continues in air-freight flights at the officers' college of our air force and in commercial flights at the CEMA flying school in Ulyanovsk. As a result of this course of training, Interflug has at its disposal pilots of an ideal age who are highly educated, mentally and physically conditioned, and devoted to the cause of socialism.

We train our flight-technician, air traffic control, airport, and commercial personnel at our works training school, at the engineering school for transportation engineering in Dresden, and at the advanced school for civil aviation in the USSR. Altogether the fraction of advanced-school and technical-school cadres at Interflug amounts to 35 percent of the total number of employees.

Incentive Pay for Air Crews

[Question] At your airline, what is the social status of the air crews in contrast to the employees on the ground? What do captains, copilots, engineers, and stewards or stewardesses earn? How are they put up at destination points, and what kind of expense accounts do they receive?

[Answer] Our air crews differ from the other workers of Interflug in that along with the air traffic control personnel they must acquire anew each year a government license by way of practical and theoretical examinations. Moreover, the air crews and air traffic control personnel of Interflug are obligated to condition themselves physically and psychologically. This happens at the conditioning center of Interflug in the Erz Mountains, in

connection with equestrian conditioning at stud farms or at the riding stable of Interflug, and in psychoconditioning courses.

Without this centrally organized conditioning and the conditioning which is personally undertaken on a daily basis, the pilots and ground aircraft controllers cannot pass the condition-examining tests, which are to be taken before the annual aviation-medicine fitness examination; the tests in question have been worked out jointly with the Advanced School for Physical Education and Sports in Leipzig. The air crews of Interflug receive incentive pay. On the average they earn twice as much as the best-paid specialized workers and engineering specialists at Interflug.

In connection with stopovers in foreign countries, the conditions with respect to rest time, accommodation in hotels, and so forth, do not differ from those of other airlines.

[Question] Where and how does the training of your cockpit crews take place, and what degree of schooling must these young people demonstrate in order to be employed by you?

[Answer] Our cockpit crews come primarily from the pool of specialized workers trained at our industrial training school. They are also prepared to be cockpit personnel by us ourselves. This means that before beginning their 2 years of apprenticeship and training to become members of cockpit crews, they are provided with 10 years of schooling.

Our goal consists in creating working and living conditions such as to enable our cockpit crews to practice this profession during their entire working lives.

Flights Subsidized by the State

[Question] How is cooperation taking place between your undertaking and other Eastern airlines? In which fields does this happen particularly intensively and on what economic or practical grounds?

[Answer] With respect to cooperation with the other socialist airlines, the rule applies: "Our strength lies in our community of interests."

The organizational form for this is the "Berlin Agreement." Concluded in 1965, it has been used year after year to generalize and optimize the knowledge and experiences gained in connection with the training and further education of the personnel, in connection with the maintenance and repairing of the airplanes, with the technology of the clearance process, and with the fare-setting work. We operate jointly the CEMA flying school in Ulyanovsk, we are running maintenance and repair stations at the most important airports of the world, and we are jointly utilizing the automated spare-parts depot for our aircraft and propulsion units, which frees us from having to run our own costly spare-parts depots.

For the citizens of our socialist states, a uniform fare system is being used which lies far below costs for flights between our countries, because

on the decision of the governments all transport services, including also flights, number among those basic needs of the citizens which are subsidized by the State.

[Question] What experiences have you had in recent years with West German or Western passengers? Does this GDR airline receive more letters of praise, or is there more criticism?

[Answer] As far as their demands for punctuality, safety, and service are concerned, the foreign passengers flying on Interflug do not differ from GDR citizens. Quite active use is made of the "letters to the director general of Interflug" which are available in all the airplanes. I read all of them, numbering 30 to 40 daily. Some 90 to 95 percent contain suggestions or words of appreciation for individual captains or stewardesses, and about 5 percent contain criticisms about our work, which are often even quite severe.

We take very seriously not only the suggestions and praise but also the criticisms. Whenever possible, we answer them personally.

[Question] Is cooperation with Berliners or West German travel businesses good or bad? And what wishes would you like to make with regard to possibly improving this?

[Answer] I believe that I may be permitted to conclude from the results that we at Interflug are good and solid partners for good and solid travel businesses in foreign countries, including also for West Germans and West Berliners. The source of this fruitful cooperation is a strict adherence to the principle of mutual advantage and an unconditional loyalty to contracts. According to statements made by many travel firms, it is enjoyable to do business with us, because we are the most honest and reliable of partners. Naturally we want to prove ourselves worthy of this praise in the future as well.

[Question] In the West German and West Berlin airline market, Interflug is often connected with dumping practices. Do you want to say anything about that?

[Answer] According to the latest edition of Knaurs Lexikon, dumping is the exporting of a commodity at a price below its domestic price, in order to capture a foreign market. The fraction of foreign passengers which Interflug transports without any participation by the foreign airlines concerned is at most about 1 to 2 percent of the total number of passengers from these countries. Thus it is scarcely possible to talk about the capturing of a foreign market, even if we could double this fraction.

And to my mind, since we are a state-owned enterprise which must generate and pay over to the State budget an actually not insubstantial net profit, the sale of passenger tickets at a price below the domestic price, thus practically speaking below the prime costs, is even less possible. Thus the sources of our successful economic work lie quite unequivocally in the

structural, fleet-related, and efficiency advantages of socialist airlines which I previously described.

[Question] It is astonishing how quickly you react with your prices on the passenger-ticket market. Within Interflug are you really completely free in your economic decisions, or must you also--as Western airlines do--consult the national agencies?

[Answer] Just a few weeks ago, at the IATA [International Air Transport Association] general meeting in New Delhi, concern was expressed again by all the solid airlines with regard to the chaos in fares. Interflug is affected by this as well. Therefore, my worries do not come from our national agencies, but exclusively from the laws and rules which are active on the capitalist market. In fact, as my foreign colleagues confirm to me, my commercial specialists are masters of their subject, and exploiting the superiorities of the socialist social order certainly brings them a number of advantages. But in the price sector, it is not possible for us to react more rapidly or more strongly than the others, especially not more so than the larger ones.

12114

CSO: 2300/404

STRUCTURE, PRODUCTION OF TEXTILE INDUSTRY EXAMINED

West Berlin DIW-VIERTELJAHRSSHEFT in German No 4, 1983 pp 357-366

/Article by A. Koch: "Light Industry in the GDR"/

/Text/ Structural Data

In the 1970's numerous industries were removed from the former scope¹ of the GDR Ministry for Light Industry. The glass and ceramics industry has been subordinated to a ministry of its own since 1973, when that was established specifically for this sector. The wood processing industry was allocated in the 1970's to the Ministry for District Managed Industry and Foodstuffs Industry, the woodpulp and paper industry to the Ministry for Glass and Ceramics at the time of the 1979 combine reform. At the present time, the Ministry for Light Industry is in charge only of the textile and clothing industry, the leather, manmade leather, fur and shoe industries.² The following article intends to describe the status, development and problems of light industry in the scope of this ministry.

According to official reports,³ centrally managed light industry accounted for 11.8 percent of total GDR industrial production at the end of the 1970's. It does have special significance for the GDR's national economy by reason of its 40 percent export rate.⁴ More and substantial export growth is planned for the years to come; this will probably go at the expense of domestic supplies. While retail turnover for the goods group textiles, clothing and footwear steadily rose in the 1970's, it recorded a 3 percent decline in 1982 by comparison with 1981. In 1982 this group of goods accounted for 15.1 percent (1970: 16.5 percent) of total retail turnover (just less than M104 billion).

The 14 combines directly subordinated to the Ministry for Light Industry employed just about 400,000 people in 1982--12 percent of all industrial employees (excluding the construction industry). The increase in the labor force (17 percent compared with 1979) was due mainly to the incorporation of 455 formerly district managed enterprises. The current five-year plan period (1981-1985) provides for a decline in the labor force of up to 5 percent (depending on the respective combine).⁵ To achieve this goal, 20,000 jobs per annum are to be transformed or rationalized.

Forty-four percent of the labor force employed in centrally managed light industry work in the Karl Marx Stadt Bezirk. Dresden Bezirk (15 percent) is the

other important center of light industry. Still, despite this regional concentration, local fragmentation is considered in the GDR to be the basic problem of this industry. Combine establishment and the decline in the number of enterprises ("independently balancing units") has more or less bogged down at the organizational stage and did not yet result in a decline in the multitude of locally separate production plants. Distances ranging up to 100 km and more still cause coordination problems between the combine enterprises (especially in the matter of components) and restrict the opportunities for an efficient division of labor. In addition, the multitude of small factories hinders mass production.

After 1977, the GDR statistical yearbooks ceased to report on the development of investments and fixed assets by industries. Figures occasionally cited in PRESSE-INFORMATIONEN and other official statements are so low as to be alarming: According to them the investment volume of light industry amounted to about M1 billion annually at the end of the 1970's,⁶ equivalent to 3 percent of industrial investments. Formerly the textile industry alone held 4 percent of total investments in industry. Though it is hard to judge how far these figures are comparable, it appears certain that investments in light industry have been severely restricted. The decline in investments in recent years was due largely to cuts in new and expansion investments. Instead investments were supposed to concentrate on the modernization of existing plant and on rationalization measures; in 1980 approximately 80 percent of the money spent on investments was accounted for by rationalization. Within the framework of the so-called "internal construction," enterprises were supposed to provide part of the rationalization investments themselves--in 1980 "internal construction" accounted for about 15 percent of the light industry's equipment investments, and this percentage is supposed to rise further in the years to come. The five-year plan provides for the expansion of the capacities of rationalization aid construction in the combines and enterprises of light industry to 180 percent. In 1980 light industry produced its own rationalization aids to the tune of M100 million.⁷

The two most important partners of centrally managed light industry are the Textima Combine, Karl Marx Stadt (textiles and clothing machines, machines for the leather and footwear industry) and the Wilhelm Pieck Manmade Fiber Combine, Schwarza, with 33,000 and 29,000 employees respectively. The GDR manmade fiber industry supplies around 70 percent of the textile raw materials used in GDR light industry. In the years 1970-1981, the output of manmade fibers was raised by more than 50 percent to 272,300 tons (FRG: 596,000 tons); at 16.3 kg per capita, the GDR is an international leader. However, the output ratio of cellulose-based to manmade fibers (GDR: 1 : 1.2; FRG: 1 : 3) must be considered unsatisfactory. Viscose fiber production is supposed to rise through 1985, while manmade fiber output will stagnate. In future years the production of new and high-quality viscose fibers is set to begin. According to reports by GDR experts, these fibers largely resemble their "model"--cotton--, and are therefore said to be particularly suitable for combination with manmade fiber fabrics.

The GDR's textile machinery construction is relatively efficient and offers a broad range of products. Following specialization within CEMA, the output of

the Textima Combine concentrates on spinning and sewing machines as well as on flat knitting, hosiery and carpet weaving equipment. The GDR purchases automated weaving machines from CEMA, spinning and winding machines from the CSSR.

Neither the textile nor the clothing industry in the GDR are directly comparable with the corresponding industries in the FRG, because the demarcation lines run differently. Taken together, though--textile and clothing industry--they do involve roughly similar productions, so that a side-by-side comparison is possible (see Table 1). A problem does arise, however, with regard to a comparison between gross outputs and turnovers, due to the different principles governing price formation.

Raw Material Bottlenecks and Shortage of Investments in the Textile Industry

In the years 1970-1982, the GDR textile industry managed to raise its output by 63 percent (industry as a whole: + 88 percent). In the same period of time employment declined by 10 percent.

While the situation in the FRG's textile industry worsened in the past 2 years, due mainly to lower domestic demand (decline in employment by 7 percent and 8 percent respectively, lower output volume by 8.7 percent and 1.4 percent respectively), the GDR textile industry recorded a remarkable result with an annual growth rate in its industrial goods output of 4 percent (1981) and 3.4 percent (1982). However, this resulted in some problems, especially with regard to bottlenecks in raw material supplies and the insufficient elimination of old machines in favor of modern equipment.

The lack of raw materials--especially high-quality natural and manmade fibers--is the crucial factor limiting the growth of the GDR textile industry. By comparison with 1970, GDR spinning and twisting mills (most of which are part of the two combines Wool and Silk/Meerane and Cotton/Karl Marx Stadt) had fewer natural fibers available for processing in 1981. In that same period cotton imports were reduced by 20 percent, those of raw wool by more than 30 percent. While the domestic wool yield almost doubled, it was unable to compensate the loss of imports. Even taking into account the rise in cellulose fiber production in recent years--the talk in the GDR is of a "renaissance of viscose fiber fabrics"⁹--the structure of fiber use is still unsatisfactory. The clothing manufacturing sections of the textile industry are therefore frequently complaining of the inadequate yarn quality.¹⁰

In general the fiber use in the spinning and twisting mills of the textile industry has held steady of late. By lowering the number of fibers in the yarns by an average of 3-5 percent, a rise in output could be achieved in spite of this. In 1979-1981 output was around 272,000 tons per annum. The production result is expected to be better by 20,000 tons in 1985, as the result of the replacement of classic yarns by films and yarn-like endless threads as well as the processing of poorer quality cotton and remnants ("spinnable wastes").¹¹

In the 1970's, a substantial proportion of investments was directed to the spinning mills. Consequently output growth here seems quite feasible in future also, provided the raw materials situation permits.¹² By now 45 percent of all yarns and threads are produced by means of the open-end rotary spinning process.¹³ Compared with ring spinning equipment, this has resulted in

productivity increases of more than 50 percent--depending on the rate of revolutions. One operator now usually handles several machines in the textile industry, especially at the spinning, weaving and knitting stages. In future also the so-called operator-poor production to be expected from mostly fully automated equipment (used in the FRG since the early 1970's), promises an improvement in labor productivity. Up to now, more than 1,300 such jobs have been created in the GDR, the majority of them involved in supervisory spinning. Better quality and increased output is also to be expected due to the use of microelectronic control and supervisory systems. The accurate regulation of spinning, taking into account exogenous factors (temperature, humidity), makes for constant fine yarn production and the reduction of the incidence of broken threads. However, in this field also the GDR textile industry is still in its infancy, and it is doubtful whether the capacities of internal rationalization and construction are capable of speeding-up this development--as called upon to do.

The processing of the basic materials from the raw materials industry into woven fabrics, knit fabrics, combination and fleece fabrics is distributed over all combines of the textile industry. The combines Deko, Technical Textiles, Knit Goods and the Esda Hosiery Combine are additionally manufacturing finished products. The two combines Wool and Silk/Meerane and Cotton/Karl Marx Stadt have only very limited capacities for the production of finished goods. As the manufacturers of intermediate products, it is their duty to supply the Knit Goods Combine and the clothing industry with woven fabrics, combination fabrics, and to a lesser extent, hosiery and knitted fabrics.

The rise in woven fabric output since 1970 has been below average compared with total textile fabric yields (see Table 3). The growth of cotton fabric production in the GDR is largely due to the (still unsatisfied) demand for jeans and leisure wear. The small wool yield (see Table 2) is also reflected in woven fabrics; the output of high-quality woollens is insignificant compared with cotton and cotton-type fabrics. The fundamental structural shifts in the textile industry are the result primarily of the expansion of capacity in the sector of stretch fabric equipment, known in the GDR by the trade name "Malimo." As the alternative to woven fabrics, stretch fabric is used largely in the manufacture of technical textiles (most of all in layers), upholstery fabrics and fabrics for the clothing industry. Though the quality of products turned out by the Malimo process is generally of a low standard, the increased use of this production method is favored in the GDR in view of the greater productivity possible by comparison with "classic" methods and the relatively problem-free use of cellulose fibers and yarns.

Though considerable investments were made in the field of stretch fabric equipment, the Cotton Combine estimates that 40 million square meters more of it could be produced annually if enough machinery were available. Weaving mills also will have to make do with existing equipment in the coming years and will be unable to expand their output sufficiently. On the other hand, the four outerwear clothing combines reported a need for more yardage as far back as 1980, presumably mainly for woven fabrics, ranging from 15 percent to 30 percent.¹⁵

The Technical Textile Combine has 4,100 weaving looms producing 300 million square meters technical textiles per annum. In the past 5-year plan period it

recorded 5 percent annual average growth rates and thereby counted among the most efficient sectors of the textile industry. The combine considers the use of additional looms "unwarrantable in economic terms" despite high plan targets.¹⁶ With the slogan "modernizing instead of discarding," the Knit Goods Combine mounts additional devices on existing knitting and hosiery machines so as to extend the life of these machines.¹⁷ In the long run these modernization measures are unlikely to be able to cope with the frequently changing fashion trends and constantly changing demands on machine technology. Still, the current investment strategy of the GDR economic leaders is geared primarily to the short-term efficacy of enterprise rationalization measures.¹⁸ In view of the very limited scope in the textile industry, the greater utilization of the machines is evidently considered the currently adequate means for the ongoing output growth.

The quantitative production of goods made in the textile industry showed wide variations in the past 10 years, depending on the product group. The hosiery industry recorded the greatest output growth. The Esda/Thalheim Hosiery Combine, incorporating the entire production of hosiery goods since the combine reform, exports about two thirds of its products at the present time.¹⁹ Since 1970 exports have risen by more than 80 percent. The situation is similar in the other combines of the textile industry: The dimension of the output expansion is largely oriented to the marketability of the products on foreign markets, although domestic demand still cannot be met in some sectors. The construction of a carpet factory in Malchow and the introduction of new technological processes in the Deko Combine, for example, was supposed mainly to meet the increased demand for carpets and other textile floor coverings due to the progress of the housing construction program. Nevertheless the 1981 increase in exports was three times larger than the rise in output of that year, with the result that the backlog of demand got even bigger. The quantitative supply for the public of so-called finished goods of the textile industry, however, may be considered assured--with the exception of some regional disparities. The enormous export obligations of the combines tend more to affect the quality of the products offered on the domestic market, so that even official reports repeatedly mention the problem of the so-called "demand-appropriate" production in contrast to unsalable white elephants.²⁰

Major Rationalization Efforts in the Clothing Industry

The GDR clothing industry was unable to meet the targets of the last five-year plan. The assigned annual rate of increase for ready-to-wear outer clothing had been an average 8.7 percent,²¹ the actual figure was barely 4 percent. In 1980 the Ministry for Light Industry noted "that arrears in the quantitative output of outerwear" had resulted in an "insufficient end product and considerable national problems."²² Nor could this development be stopped in the early 1980's. In terms of value the output of outerwear stagnated in 1981; the production of household linen and workwear rose only slightly. Similar to the situation in the textile industry, material shortages and unduly little automation as well as often obsolete equipment in the four outerwear combines were the reasons for the decline in growth. It is, however, much more evident in the clothing than in the textile industry.

The GDR's ready-to-wear industry includes the three outerwear combines Berlin, Erfurt and Loessnitz as well as the Cottbus textile combine. In the early 1980's, the VVB [association of state enterprises] Ready-to-Wear Clothing was replaced by four combines, because it had turned out to be necessary to develop rational planning and organizational structures. Even in late 1978, the ready-to-wear industry consisted of 300 enterprises with more than 1,200 factories and 83,000 employees. In addition to the VVB Ready-to-Wear and the Cottbus Textile Combine (established as long ago as 1969), 13 district economic councils operated as economy managing organs. At the same time many district managed enterprises were merged into the combines. In the clothing industry combine establishment proceeded mainly from a regional aspect and did not result in the thorough specialization of the combines on specific product groups. In order to make possible nevertheless the standardized planning and accounting of individual goods groups, each combine now exercises fixed balance functions.²³ The entire output of women's outerwear, for instance, is balanced in the Loessnitz Combine, while the Erfurt Outerwear Combine is the "balance organ" for all children's wear produced by the GDR clothing industry.

However, the combine reform did not yield any beneficial effects on the production volume of the ready-to-wear industry in its initial phase. Even a "program to speed up scientific-technical advances in the GDR textile processing and clothing industry in the period through 1980 and following 1980," enacted in 1978, had very little impact until now, due to its very long-range orientation. This program centers on the development of new methods for the preparation and organization of production, the improvement of the preparation and execution of cutting, the rationalization of assembly and the reorganization of transportation, handling and storage (TUL processes). The combination of these measures with the structural changes that have developed since 1979 in the factories and between the various ready-to-wear enterprises has obviously done rather badly. To obviate site fragmentation, production was converted to certain sectional operations in the various workshops. At the same time the assortment structure was adjusted to the respective size and the existing equipment stock of the enterprises. These tasks, arising from the combine reform, were largely completed at end 1981. The emphasis now is on rationalization projects.

Losses in cutting are particularly vital to the clothing industry. Even in 1980 only about 75-80 percent of the fabrics made available for processing actually turned into the finished product--the losses incurred in cutting were that great. Optimization of patterns is therefore imperative to help observe the set specific materials conservation of 3-4 percent per annum. Since 1980 microprocessor controlled machine sets for patternmaking and cutting optimization have gradually been introduced in the enterprises of the outerwear combines and the hosiery industry. In addition cooperation with the anterior stage industry is to be improved. Hitherto, to cite just one example, that industry had not coordinated its deliveries with regard to fabric width with the needs of the ready-to-wear industry.

The major rationalization project of the clothing industry in the current five-year plan period involves the conversion of a total of 60,000 sewing jobs. In the GDR ready-to-wear industry the operation "sewing" accounts for an average 70 percent to 80 percent of the entire time spent on producing one item. The rationalization measures initiated in recent years are being carried out on two

levels. For one, various operations are provided with new machines and equipment (such as sewing machines with a constant stitch program and special seam effects, double sewing stations) and more productive working methods introduced (product rationalization). For the other, entire manufacturing sections--oriented, for example, to complete assembly lines--are being completely reorganized (section rationalization). As up to now 70 percent of the sewing processes are still taken up by preparation and ancillary times (separating, positioning, transferring and stapling), these measures are mainly designed to achieve the more intensive utilization of the sewing machines.

Still, even progressive mechanization and automation are subject to problems. Complaints are heard in the GDR that "at the present time the variability of production is diametrically opposed to the extent of equipment mechanization,"²⁵ rationalization proceeds at the expense of the flexible organization of assortments. That is why, lately, some so-called integrated sewing jobs were created, which can be reprogrammed and therefore make assembly line production less dependent on long runs. Compared with the last five-year plan period, the investment volume of the clothing industry has been severely reduced. The Erfurt Outerwear Combine, for example, has 14 percent less money available.²⁶ To be able to meet the plan targets, it will presumably be necessary to adopt "minor improvements," in other words the development and production of simple equipment for manual use by way of the "internal construction of rationalization aids." Highly automated assembly lines, largely equipped with microelectronic controls, are still very much the exception. The models are the two assembly lines for the manufacture of jackets and pants in the Berlin Outerwear Combine. It is intended, though, after the testing stage to have them copied in many enterprises by combine-internal rationalization aid construction. It is interesting to note that the construction of assembly lines was concentrated in the export oriented enterprise of the Berlin Outerwear Combine. At an export rate of just 60 percent, this combine is the major exporter in the clothing industry.

Production preparation continues to be a headache for the ready-to-wear industry. Irregularities in supplies coming from the anterior stage, limited computer capacities for compiling and processing the data relevant to current and future production and, especially, differences in enterprise standards represent obstacles to accurately defined plan decisions on manpower use, the distribution of resources, series volume, and so on. With a comparable machinery use, 20 percent differences in the manufacturing cost for a product of the ready-to-wear industry are not rare at all. Enterprise comparisons and the subsequent standardization of individual processes therefore promise both improvements in productivity and the simplification of planning preparation.

Import Substitutions in the Leather, Shoe and Leather Goods Industry

Upon the dissolution of the VVB Shoes, VVB Leather and Manmade Leather, and VVB Leather goods, the centrally managed leather, shoes and leather goods industry was taken over by three combines. They include 95 percent of shoe production, 93 percent of manmade leather manufacture, 90 percent of the production of fur clothing and the entire leather output of the GDR. We were not able to definitely ascertain the proportion in the production of leather goods

(mainly purpose, and so on); it is estimated that district managed industry and artisan production cooperatives still turn out 25-30 percent of leather goods. All combines include first stage sectors and capacities for the production of finished goods. The combines are linked by many cooperation contracts; the production and processing of leather and manmade leather thus proceed in a supra-combine manner. Also important is cooperation with agriculture and the food industry and the textile and clothing industry.

The combines Shoes/Weissenfels, Leather Goods/Schwerin and Leather and Manmade Leather/Leipzig employ a total of 62,000, two thirds in the Shoe Combine. Shoe production in the GDR rose by only 2.8 percent from 1970 to 1980.

The leather goods industry is one of the fastest growing sectors of light industry. In the past 10 years it managed to more than double its industrial goods output. In view of the highly satisfactory export business--to be expanded by another 20 percent in the next few years--the Leather Goods Combine aims at a 7 percent annual growth.

The GDR needs to import from the West a great many of the hides and skins needed for leather production. As world market prices tripled in the 1970's, the industry is making great efforts to replace imports. The current demand for hides is met to about 70 percent from domestic yield. With the exception of pelts from small livestock, the imports of raw materials are to be cut by 20 percent in this five-year plan period. This is why the emphasis is on pigskin production, currently carried on mainly in the CEMA countries and China as well as (to a lesser extent) in Japan and the United States. Though the recovery of pigskin is legally prescribed in the GDR, it is estimated that hitherto unused reserves amount to 6,000 tons. However, pigskin is not a satisfactory substitute for ox leather. The grain of 95 percent of the skins is damaged and, as far as the shoe industry is concerned, these skins are suitable at best for the production of corrected leather for uppers, without however being so soft as ox hide.

More than any other branches of light industry, the shoe industry is geared to supply the domestic market. No data are available about the export rate of the shoe combine, but it is likely to be minimal. On the other hand, the rate of shoe imports amounts to 6.4 percent of domestic output. To reduce imports and close the persistent supply gaps in some ranges, high-quality full-grain leather is increasingly replaced by processed split leather, textile-split combinations, corrected upper leather and manmade or textile materials. More conservation effects are also expected from the program for processing the leather wastes left over after cutting. All enterprises were ordered to set up and carry out such programs. Moreover, open-toe shoes are to be produced mainly from manmade and textile materials. Unless, for example, sandals are demonstrably made from waste leather, no leather at all may be used. The replacement of leather by substitutes ranges even to soles. Leather is more and more abandoned, and even the use of PVC and rubber in molded soles is being reduced by combining them with fillers.

The rationalization of shoe assembly is emphasized in investments. It is the aim to specialize factories for various work stages and, in the long term,

develop current shoe models in "supply effective run dimensions"²⁷ (at least 250,000-300,000 pairs for high-fashion shoes, otherwise 500,000-1 million pairs). Selected models of the basic range are issued a quality classification, following which they are obligated to be kept in production for at least 18 months. Evidently the pressure to expand output while lowering raw material consumption has totally abolished the GDR shoe industry's orientation to consumer preferences.

The production of leather under the heading "miscellaneous sheet leather" is far less developed in the GDR than in the FRG (see Table 7). Of the total 4 million square meters sheet leather, some 60 percent are allocated to leather goods, 27 to leather clothing, the remainder serves glove production. While it is estimated that the proportion of chairs and settees upholstered in leather amounts to 15-20 percent of upholstered furniture production in the FRG (1982: 10.3 million square meters), the output of upholstery leather in the GDR is insignificant.

Very widespread, on the other hand, is the use of manmade leather in upholstered furniture production. This is manufactured almost exclusively by the Manmade Leather and Fur Processing Combine. In the last five-year plan period, production was raised by almost 70 percent to 80.6 million square meters. Though the manmade leather industry (manmade leather, floor coverings, soft PVC sheets) is to achieve a 6 percent average annual growth by 1985, the volume of manmade leather sheets declined by more than 3 million square meters in 1981 alone. Presumably this was the effect of the oil price increases on the output of soft PVC sheets and floor coverings. In view of this development the trend in the leather goods industry will emphasize the use of textiles even more strongly. It is not to be expected that the supply gap with respect to floor coverings can be closed in the coming years (similar to the textile industry).

Summary

The Five-Year Plan 1976-1980 was targeted to raise industrial goods production in the scope of the Ministry for Light Industry by 40 percent.²⁸ Only just better than half this target (22 percent)²⁹ could in fact be met. The directive to the 1981-1985 Five-Year Plan provided for an average annual 4.8 percent.³⁰ Characteristic for the difficult situation of light industry in the GDR are the quality lowering effects of the resource conservation measures and substitution processes emphasized in the past, the insufficient renewal of a rather obsolete machinery stock and stronger competition on international markets (due mainly to the expanded capacity in the developing and threshold countries).

By comparison with the energy and fuel industry or the electrical engineering industry, for example, light industry is one of the less promoted GDR industrial sectors. In 1980 Minister Werner Buschmann noted that a substantial rise in quantitative output would have to be achieved with a declining use of materials, investments and manpower.³¹

Shift work is not easily adopted in light industry. Roughly 70 percent of the workers employed in the 14 combines of the ministry are women. As it is, they

are subject to the double burden of family, household and factory work. Obviously they are unwilling to further worsen their living conditions. Consequently relatively few production workers are working the second or third shift per working day. In 1981 they accounted for 16.7 percent and 8.7 percent respectively in the textile industry, in fact slightly less than in previous years. For this reason productivity is to be raised by more multi-machine operation and the mechanization and automation of production. In order not to have to switch entirely to large-scale mass production, the use of programmable and, in part, computer aided plants is assuming increased importance to allow for flexible assortment organization and a faster conversion of the production.

The combines' own construction of rationalization aids--accounting for about 15 percent of equipment investments in 1980--is to support the modernization of existing machinery. Centralized rationalization construction plants have been established in almost all combines. In view of the limited capacities and the lack of know how (especially with regard to the use of microelectronics), we cannot expect these works to provide much in the way of top scientific-technical performances. Nevertheless, enterprise comparisons and the introduction of operator-poor production processes do basically make for greater productivity. These measures will become effective in most branches in the mid-1980's.

The reduction in specific materials consumption (absolute in some branches) is due primarily to the replacement of imported raw materials. The use of secondary raw materials (such as manmade leather and textile wastes), conservative handling of the available materials (improvement of the materials utilization rate) and, above all, far reaching substitution processes are the characteristic feature of the development emphasized in recent years. As the result of the replacement of high-quality natural raw materials, we must expect many products to be of poorer quality in the years to come. It remains to be seen, though, whether this is going to damage the GDR's export business or primarily affect the domestic goods offer, and in particular the basic assortment.

Up to now, in any case, the ratio of exports to domestic goods availability cannot be described as balanced in all sectors. Though the public supply has been considerably improved in the past 10 years, bottlenecks keep arising in some products. These supply gaps (usually fashion related) are rarely closed in the short term, due to the lack of materials and free production capacities. By contrast manufacture for export enjoys favored treatment. Sometimes even small and short-term orders from Western customers are inserted in the production program. Enterprises are thus often confronted with the need to interrupt the mass production of goods required as the result of the annual contracts with socialist countries and the domestic market, and to convert their production.

The installations in export oriented enterprises of highly automated assembly lines, equipped with programmable devices, indicates precisely this direction. They make it possible to turn out mass produced goods coupled with the greatest possible flexibility in the organization of production, so that, if needed, the response to export orders may be relatively flexible.

Nevertheless light industry is among the sectors complained of by the chairman of the Council of State in 1979, at the Eleventh SED Central Committee, because it offered goods for export "with an unjustifiably low profitability and which are hard to sell--if at all." He also stressed: "It cannot be a matter of indifference for us whether we earn 30 pfennig or M1.50 on foreign markets for every mark spent in our country."³² As the GDR largely offers mass production goods to the Western countries and there confronts increasing competition from low-wage countries, the scope for price formation is unlikely to have improved. Still, the comparative benefits of a fairly unprofitable export business seem to predominate, because the foreign exchange earned is urgently needed by other sectors of the national economy.

Directly Subordinated Combines of the Ministry for Light Industry (1982 status)

Combine	Established	Employees	VEB's in the Combine ¹⁾	Production Program
Cotton, Karl Marx Stadt	01 01 1981	70,000 ²⁾	25	Cotton and manmade fiber yarns and threads, effect yarns, textured silks, multiple yarn fleeces, bed and table linen, terry goods, men's shirts
DEKO, Plauen	01 01 1979	40,000	76	Curtains, draperies, carpet runners, wall-to-wall carpeting, upholstery materials, lace, embroidery, trimmings
Manmade Leather and Fur Processing, Leipzig	01 01 1979	8,700	33	Manmade leather, pigskin leather and small animal pelts, processed furs, clothing
Leather Goods, Schwerin	01 01 1979	11,000	22	Purses, luggage, small leather goods, leather clothing, leather gloves, saddlery, leather for technical purposes
Outerwear, Berlin	01 01 1979	14,000	17	Men's wear, women's wear, children's wear, household linen, blankets
Outerwear, Erfurt	1975	20,000	25	Children's wear, men's and women's wear, bed-linen
Outerwear, Loessnitz	01 01 1980	18,000	61	Women's wear, girls' wear, men's wear, uniforms

[continued on following page]

Combine	Established	Employees	VEB's in the Combine ¹⁾	Production Program
Shoes, Weissenfels	01 01 1979	42,000	90	Shoes of all kinds, sandals, boots
Solidor, Heiligenstadt	01 01 1979	5,000	7	Zippers, fittings for leather goods and shoes, needles, buckles, locks and handles for purses and luggage
ESDA Hosiery Combine, Thalheim	01 01 1970	17,000 ²⁾	12	Stockings, socks, panty- hose, women's and children's slippers
Technical Tex- tiles, Karl Marx Stadt	01 01 1979	28,000	27	Belt bands, conveyer belts, textile filters of manmade fiber fabrics, technical felts, PVC coating for tarpaulins, inflatable structures, fishing nets, tents, flexible containers, tarpaulins
Textile Com- bine, Cottbus	1969	25,000	32	Women's, men's and children's outerwear, uniforms, head coverings
Knitwear, Karl Marx Stadt	01 01 1979	58,000	158	Knitwear, gloves, caps, scarves, swim and jogging wear, hosiery, corsetry
Wool and Silk, Meerane	after 1975	42,000 ²⁾	22	Yarns, twisted yarns, woven fabrics, knit goods, scarves, squares, ties and a small volume of other clothing

1) Legally independent enterprises.-- 2) 1981

Sources: All data according to GDR press reports

Table 1--The Textile and Clothing Industry in the GDR¹⁾ and the FRG 1981

	GDR	FRG
Employees	323,000	514,000
Gross industrial production or turnover	about M 27 billion	DM53.2 billion
Number of enterprises	455 ²⁾	5,181
Export rate	42%	34% ³⁾
Percentage share of the textile and clothing industry in total industry		
by employees	9.4%	6.9%
by industrial goods production or turnover	7.9%	4.2%
in total exports	6 - 7%	4.5%

1) Only centrally managed textile and clothing industry.-- 2) 1982.-- 3) Percentage of exports in turnover, excluding raw materials.

Sources: 1982 Textile Report, Textiles Generally; The Clothing Industry in the FRG, 1981; Federal Association of the Clothing Industry; 1982 FRG Statistical Yearbook; 1982 GDR Statistical Yearbook; DIW computations and estimates.

Table 2--Imports and Production of Natural and Manmade Fibers in the GDR (in 1,000 tons)

	Imports		Production		
	Cotton ¹⁾	Raw Wool ²⁾	Sheeps' Wool	Manmade Fibers	Viscose Fibers
1970	105.8	19.9	3.3	47.3	115.4
1975	100.4	12.9	4.7	111.8	135.7
1980	98.9	13.2	5.8	138.7	122.9
1981 ³⁾	85.5	13.6	6.0	146.2	126.1
1985 ³⁾	-	-	7.0	150	150

1) Ginned -- 2) Washed -- 3) Planned

Sources: 1982 GDR Statistical Yearbook; 1981-1985 Five-Year Plan.

Table 3--Production of Textile Length in the GDR (1,000 square meters)

	1970	1975	1979	1980	1981	Percentage Changes 1970-1981
Total textile ¹⁾ length yield	788,167	985,009	1,089,485	1,165,559	1,182,327	+ 50.0
Including:						
Cotton and cotton- type woven fabrics ²⁾	385,603	439,364	416,338	431,774	437,950	+ 13.6
Worsted and semi- worsted woven fabrics (wool)	22,137	24,150	26,727	26,791	27,028	+ 22.2
Carded yarn woven fabrics (wool)	14,553	12,697	11,430	12,092	11,890	- 18.3
Hose fabrics	.	.	106,508	104,961	101,665	
Knit fabrics	.	.	69,301	75,527	70,866	
Stretch fabrics, thread and fiber combinations	.	.	194,691	207,146	210,011	

1) Excluding decorator textiles.-- 2) Including muslin and gauze.

Source: 1982 GDR Statistical Yearbook

Table 4--Production of Selected Light Industrial Products in the GDR

Products	Unit	1970	1975	1980	1981	Percentage Changes 1981-1985
Textiles						
. Upholstery fabrics	million square meters	23	30	35	34	+ 47
. Decorator fabrics	"	55	75	80	82	+ 50
. Carpets, runners, floor coverings	"	15	25	31	33	+ 120
. Muslins and curtains	"	84	129	137	138	+ 64
. Hosiery	million pairs	199	274	322	388	+ 70
. Underwear	millions	145	162	177	182	+ 26
. Knitwear (including swim and jogging wear)	millions	41	52	59	40	+ 46
Outerwear						
. Men's	million marks ¹⁾	926	1,007	1,332	1,316	+ 42
. Women's	" "	765	919	1,116	1,078	+ 41
. Children's	" "	502	539	520	554	+ 11
Leather Goods (excluding saddlery from textile substitutes)						
	" " 1)	518	747	1,019	1,072	+ 107
Shoes	million pairs	78	79	79	80	+ 3
. Street shoes	" "	38	39	40	41	+ 8

1) At constant 1980 plan prices.

Source: 1982 GDR Statistical Yearbook.

Table 5--Slaughtering in the FRG and the GDR 1981 (1,000's)

	FRG	GDR
Beef cattle	4,938	1,696
Calves	632	153
Pigs	37,914	13, 879

Table 6--Raw Hide Preprocessing in the Leather Industries of the FRG and GDR 1981

	Unit	FRG	GDR
Large cattle and calf hides	Green Weight in 1,000 tons	130 ¹⁾	98.3
including:			
Pig hides	"	.	35.3
Imported Ox hides	"	44.6	19.6
Small animal pelts	1,000's	6,000 ¹⁾	415.7
including:			
Imported goods	"	.	378.5

1) Estimates as per Federation of the German Leather Industry.

Sources: Federation of the German Leather Industrie, Annual Report 1982; LEDER-SCHUHE-LEDERWAREN (GDR), 1983/1, p 4.

Table 7--Leather Production in the FRG and GDR 1981 (1,000 square meters)

Type of Leather	FRG	Total	GDR	Percentage of Pigskin
Uppers	8,200 ¹⁾	7,200		12
Lining leather	2,500 ¹⁾	2,000		54
Other leather lengths ²⁾	15,000	4,000		61

1) Data extrapolated to enterprises with 10 and more employees as per Federation of the German Leather Industry.-- 2) Upholstery leather, leather for clothing and gloves, for the GDR excluding ASA leathers, technical leathers as well as chamois and polishing leather.

Sources: Federation of the German Leather Industry, 1982 Annual Report; LEDER-SCHUHE-LEDERWAREN (GDR), 1983/1, p 4.

FOOTNOTES

1. Eleven industrial ministries are in charge of the actual technical control of developments in the various industrial sectors. They are the ministries for coal and energy; ore mining, metallurgy and potash; chemical industry, electrical engineering and electronics; construction of heavy machines and equipment; construction of machine tools and processing machinery; light industry; construction of general machinery, agricultural machinery and vehicles; district managed industry and foodstuffs industry; glass and ceramics industry. In addition to industry centrally managed by these ministries, there is the so-called district managed industry. Its combines are subordinated to both the district economic councils and the Ministry for District Managed Industry and Foodstuffs Industry ("dual subordination").

GDR statistics classify industry not by ministries but by industrial branches. They distinguish the following sectors: Energy and fuel industry; chemical industry; metallurgy; construction material industry; water management; machinery and vehicle construction; electrical engineering/electronics/device construction; light industry (excluding textile industry); textile industry; food industry. Included in light industry are the wood processing industry, the pulp and paper industry, the printing industry, the cultural merchandise industry, glass and china industry and the ready-to-wear, leather, shoe and fur industry relevant within the scope of this article.

2. The manufacture of light industrial products is also carried on in enterprises of the district managed industry, producer cooperatives and private artisan enterprises. In district managed industry, some 4,000 employees are at work in the textile and clothing branch and about 5,000 in the shoe, leather goods and fur processing trades. In artisan trades as a whole some 12,000 people work in the clothing trades, 14,000 in the sector leather, shoes and fur processing.
3. P. Liehmann, deputy minister for light industry, "High-Quality Consumer Goods and a Stable Offer of Essential Goods," DIE WIRTSCHAFT, No 3/1980, p 21.
4. See "Attractive, Market-appropriate Textiles," DIE WIRTSCHAFT, Fair issue, September 1979.
5. See P. Liehmann, "More Research, Development, Production--Less Administration," PRESSE-INFORMATIONEN, 19 May 1981.
6. R. Baumgaertel, "Intensification of an Efficient Production of Demand-appropriate Consumer Goods in Efficient Combines of the GDR's Textile, Clothing and Leather Industry Combines," BEKLEIDUNG UND MASCHENWARE, 1981/3, p 102.
7. Ibid, p 103.
8. See H. Klare, "Persistent Reservations Regarding Manmade Fibers," BERLINER ZEITUNG, 9 May 1981.
9. Ibid.

10. "The article of clothing is often excellently designed, but its appeal is much reduced by the material used. The basic prerequisite for an elegant model is the use of high-quality yarns," W. Schirmer, "Market-appropriate Production--A Commandment of Effective Foreign Trade," BEKLEIDUNG UND MASCHENWARE, 1982/3, p 101.
11. W. Buschmann, minister for light industry, "On the Tasks Involved in the Achievement of a High Technological Production Standard in GDR Light Industry," WISSENSCHAFTLICHE ZEITSCHRIFT DER TECHNISCHEN HOCHSCHULE KARL MARX STADT, 1980/7, p 643.
12. The outstanding investment project of the past 10 years was the cotton spinning mill, completed and operated together with Poland, in Zawarcie near Katowice (annual output volume more than 12,000 tons).
13. See "The 500th CSSR Rotary Spinning Machine in Operation in Meerane," FREIE PRESSE, 26 November 1982, p 1.
14. J. Schmidt, "'Malimo,' Sign of Quality and Efficiency," BEKLEIDUNG UND MASCHENWARE, 1982/3, p 109.
15. See M. Schubert, "Topical and Future Tasks for the Ready-to-Wear Industry," BEKLEIDUNG UND MASCHENWARE, 1980/5, p 191.
16. G. Keller, "Better Output by the Better Utilization of Machinery and Plant," PRESSE-INFORMATIONEN, 28 August 1982, p 3.
17. See "Doubled Life of Textile Machines," NEUES DEUTSCHLAND, 9 August 1982, p 3.
18. R. Baumgaertel, "By Low-cost Rationalization Investments to Greater Output," PRESSE-INFORMATIONEN, 29 August 1980, p 3.
19. "How Well Does the Hosiery Industry Clothe Us?," FREIE PRESSE, 2 November 1981, p 3.
20. See P. Liehmann, "High-Quality Consumer Goods...", as before, p 21.
21. E. Richter, "The Tasks of the Clothing Industry in 1979-1980 and 1981-1985," lecture at the Third Symposium of the GDR Clothing Industry, BEKLEIDUNG UND MASCHENWARE, 1979/2, p 51.
22. See M. Schubert, as before, p 191.
23. As the term "balancing" is used differently in the GDR from linguistic usage in the West, the following should serve as a simplified explanation: Parallel with the establishment of plan targets, the amount and utilization of materials and equipment are contrasted in a system of goods balances to ensure the best possible satisfaction of the national demand and ration scarce resources. The currently heavily centralized balancing system decides about 76 percent of production, the remainder is in the competence of the combine (see DIE WIRTSCHAFT, No 4/1982, p 17).

24. See E. Richter, as before, p 51.
25. H. Lassnig, "Organization of the Division of Labor in Sewing and Assembly," BEKLEIDUNG UND MASCHENWARE, 1980/5, p 204.
26. See E. Jarosch, "The Improvement of Capacity by Socialist Rationalization in the Ready-to-Wear Industry in the Erfurt Outerwear VEB," in "On the Socialist Rationalization in Industrial Combines," ABHANDLUNGEN DER AKADEMIE DER WISSENSCHAFTEN DER DDR, 1982, No W5, pp 61ff.
27. H. Albert, "Quality Arises in Product Development," LEDER-SCHUHE-LEDERWAREN, 1989/4, p 160; see also "Tasks of Product Development and Design in the Shoe Combine VEB," LEDER-SCHUHE-LEDERWAREN, 1982/4, pp 172 ff.
28. See GBl DER DDR, Part I/1976, p 524.
29. See W. Buschmann, as before, p 641.
30. See "Tenth SED Congress Directive to the Five-Year Plan for the Development of the GDR National Economy in the Years 1981-1985," NEUES DEUTSCHLAND, 20 April 1982.
31. See W. Buschmann, as before, p 641.
32. "Politburo Report to the Eleventh SED CC Plenum, Reporter: Erich Honecker," NEUES DEUTSCHLAND, 14 December 1979, p 5.

11698

CSO: 2300/394

HEAD OF MATERIALS, PRICE OFFICE QUESTIONS ECONOMIC POLICY

Budapest VALOSAG in Hungarian No 3, Mar 84 pp 10-17

[Article by Bela Csikos-Nagy, Head of Materials and Price Office:
"Questions About the Physiology of Our Economic Policy"]

[Text] There is great interest worldwide in the Hungarian economic policy. Our macroeconomic management system counts as a model, many elements of which may be building stones of a relevant theory for socially organized, modern economics.

But how could we characterize our economic policy? It is impossible to make an assessment about a country's economic policy that is unambiguous in all its elements. This is demonstrated by the disputes concerning the implementation of various decisions among those who earlier had agreed when those decisions were adopted. This occurs particularly often when a decision formulates only guidelines and contains loopholes for the exceptions.

If the disputes about interpretation make an unequivocal action difficult, how more problematic might be the "outside" assessment of a given economic policy. I am referring to those opinions which are spelled out by people who do not participate in decisionmaking, and particularly the ones for whom all the particulars which are important for decisionmaking are not available.

All this notwithstanding the debates which take place at either domestic or foreign conferences and roundtable discussions are useful and even important means for checking on the decisions made earlier and for keeping the management system up-to-date. At the same time it is not easy to pick out from the heap of variable ideas and recommendations those which are not only applicable to our conditions, but which are likely to improve our situation. A description of the physiology of our economic policy may provide a better basis for such discussions.

No one can proceed from the presumption that his standpoint is determinant in all cases. But if for decades somebody has taken part in the shaping of an economic policy, he might have developed a certain flair for it and might have nurtured the logical thinking that is indispensable for creating a guidance system taking care of its internal consistency. I drew up ten questions for myself.

1. Dropping the Hypothesis of Central Planning without any problem.

Let us cite the old teaching: When the means of production are in public ownership, then the state can influence the economic processes at will. It has only to see to it that the public institutions and economic units shall comply in their functions with the directives of the plan.

At this point state planning seems to be exempt from an possibility of being criticized. When problems emerge, the answer is: the economic policy is good, only its implementation has failed. This hypothesis was, strangely enough, generally accepted even between 1952 and 1956, although planning then resulted in deficiency management in order to hasten industrialisation. In one or another warehouse it was always possible then to find goods which were in short supply. Thus it became possible to argue that scarcity was created by the faulty distribution of goods.

Our experiences nurtured the change in our economic policy after 1956. In 1957 the obligatory delivery of the produce to the state was lifted in the agricultural sector, and in 1968 the plan-directives were cancelled in the non-agro sector. Nevertheless in the early 1970s false illusions have still delayed our quick accomodation to the conditions created by the OPEC price explosion in the fall of 1973.

Despite our poverty in raw materials and energy carriers, we needed several years for drawing the conclusions from the impact of the relative scarcity of natural resources. It was only in the changes in our economic policy undertaken at the end of 1978 that this was done. Thus we have no reason to be surprised if the economists of some friendly countries, which possess much more natural resources, cannot understand many things that are vital for us and therefore have a determinant role in our economic policy making.

We can only then expect a full understanding when the economists will more realistically assess the processes in course and the arguments about real problems will be more explicit. A scientific discussion about economic policy must be based on a critical analysis that uses scientifically relevant methods. Neither is economic policy identical with the intentions of the government, since the implementation of it cannot be viewed as a separate matter. Economy is made by the people and economic policy tries to influence human behavior. Yet people in the short run are as they are. Therefore, when we are acting in the framework of our economic policy, we have to reckon with the possibility of failure and not only with success.

2. Physiology of Regulation with Economic Means

The discussion that laid the ground for the 1968 economic reform revealed the shortcomings of regulation by central plan-directives. Yet the system in which regulation is carried out with economic means was not exactly defined. On the contrary, the emphasis put on the fact that we have built in "brakes" in the economic mechanism for the transition period, that started in 1968, caused some confusion. We meant then in the first place that we ought to put a lid on prices and on the volume of trade while the

balance problems are not yet done with on a larger than is desirable scale.

The mere reference to "brakes" prompted the opinion that we have conceived such a system model in which the state "intervenes" only with incentives in the economy and the processes are regulated by automatisms. This has suggested to some economists of the friendly nations that Hungary intends to shift from planned economy to market economy.

The incentives are a specific group of economic means. If the state uses only incentives in the economy, then investment, production and trade decisions are made exclusively by the enterprises. In this model there is no room for direct price and wage regulation. Moreover even the instruments of financial (budgetary and monetary) policy only the indirect ones can be employed. This is the so-called market-conformist economic policy that can hardly be applied to a socialist planned economic system.

On the other hand we should realize the disadvantages of regulation with direct means. Such a regulation system is insensitive to the changes in the economic conditions.

Consequently an instrument that was applied in the defense of societal interest may ultimately turn against this interest. Thus if a goal can be pursued with indirect methods, it is justifiable to give preference to such methods. And if we have to apply some kind of direct method, that should be, if possible, a financial regulator. It follows that from this that -- if the state has to use its right of command on a large scale -- then the realism of the purposes ought to be controlled. This philosophy of a possible regulation system is best qualified for keeping off the irrational elements of petty tutelage from the objective process of planned development.

Why is it imperative to emphasize this? Because when implementing the medium-term and yearly plans, the hypotheses underlying planning are often forgotten. A socialist society has to reckon with the possibility of changes in the conditions, particularly if it is foreign trade oriented. For in such an economy the flexible accommodation with the conditions of the international division of labor and the planned process of economic development can only be reconciled if they are organically linked.

3. Normativity, Exceptions, Priorities and Compromise

Economic policies are applying regulations in the pursuit of goals which are in part superposed in a hierarchical structure and are in part competitive.

The relation between goals and means is peculiar in a producing economy. For example steel production is means from the vantage point of cylindrical products but it is goal from the viewpoint of iron ore exploitation. In the consumer economy (defense, education, health, etc.) political evaluation defines the priorities, which regulate the distribution of resources earmarked for such purposes, along the lines of societal needs. Priority means that the implementation of certain goals will be delayed and that the available

resources will be used for the purposes which are to be attained in a ratio determined by the policy maker.

In the relations between industry, agriculture and the tertiary sectors the normative financial regulation directs -- by providing equal conditions -- the division of labor, capital and land, promoting thereby economic efficiency. This concept is limited by political preferences by the way of the policy of exceptions. It is these preferences and the way they are applied that stirs disputes. In such arguments people at times overlook the fact that often the exceptions are making normative regulation possible, and that by giving preference to certain production sectors and determined goals policy can best influence the economic processes. But let me also observe that at a certain stage the exception might become the rule. In such a situation efficiency declines and the exception fails to provide advantages.

However even in cases of exceptions of larger scope it makes a difference whether or not normative regulations conform with reason. In other words it is not irrelevant which is the center from which deviation is allowed in a smaller or wider circle and for shorter or longer periods of time. Also in such cases the direction of the deviation points at the trends which orient the activities.

Economic policies have areas in which compromises can be achieved by the reconciliation of various criteria. Let us take for example the policy concerning the exchange rate of foreign currencies. If inflation is virulent on the world market, the consideration may prevail in the foreign exchange policy that the import of inflation may be offset by overrating the foreign currencies. But if maintaining the international balance is the overriding concern, then our export interests acquire importance. Another viewpoint to be considered is that the foreign exchange policy should help eliminate uneconomic exports and should improve their productivity.

In such multicriterial issues decision is ultimately a question of ponderation. Yet in the economic discussions we often witness the fact that the critics of our economic policy overlook the complex background of economic decisionmaking. By picking out only one or a few criteria, it is possible to spectacularly demonstrate the shortcomings which, when changing the slant, could also be quoted as arguments against the recommendations formulated in that way.

4. Peculiar Relations between Socialist Industrialisation and Economic Efficiency

In the beginning of industrialisation there is no full employment and the high ratio of the rural population reflects unemployment. This and the demand of the housewives for employment elicit the social pressure in the wake of the socialist takeover for full employment. Therefore, after the socialist transformation of our society, we considered the increase in the number of new jobs as a high priority of planned development.

The extensive trend of industrialisation leads inevitably toward reduced economic efficiency. At that stage the main motivation behind industrialisation is the increase in the number of employed rather than an improvement in work productivity. The stock of goods available for consumption by the population grows at a slower pace than national income and the problem of distribution of growth in the consumer goods must be solved in consideration of the growing number of employed. In other words: the changes in the stratification of society and coupled with this the shifts in the ratio of income-earners and dependents are becoming the prime characteristics of the standard of living policy. Under such circumstances:

- a)--Egalitarian trends are prevailing in the wage policy; primitive jobs can only be rewarded with very low wages; the difference in wages between sophisticated and simple jobs cannot be as big as the quality of work, the responsibility and the contribution to the GNP would warrant.
- b)--In the distribution of social benefits it is necessary to exercise a certain largesse in satisfying the needs. The tasks of basic social welfare should be performed, if possible, by means of social benefits.
- c)--In the policy concerning consumer prices first priority is to keep subsistence costs at a low level and thence it is necessary to subsidize basic consumer goods and public services.

Thus this is a standard of living policy in which the ratio of wages does not coincide with the ratio of performance, social benefits greatly limit the distributive functions of the market, and consumer prices operate as redistribution factors. In such a standard of living policy socio-political considerations are determinant: preference for the lowest income earners and pensioners, as well as care about the livelihood of large families are in the focus of official attention.

When full occupation has been achieved, the reserves of extensive development become exhausted and economic policy is compelled to turn the trend of growth toward intensive-oriented development. This change does not only allow but it requires a full enforcement of economic efficiency. Thence economic policy has to adjust wages to the relative performances and prices to the relative costs. Further it is necessary to select such methods for the application of social policy which do not distort the progress of efficiency in the productive sector of the national economy.

5. Price System Development World Market Price Model, International Competitiveness, Competitive Price

According to a decision adopted by the Council of Ministers, price-making has changed since 1984 in those areas of the processing industries in which the relations between demand and bid became balanced, and the enterprises are participating to a proper extent and on a high level in domestic and foreign competitions. In these areas production prices maybe adjusted to the world market prices by means of agreement between buyer and purveyor, rather than by official price prescription. This decision is interpreted by many

people in this way: The "world market price system" which was introduced in 1980 failed. This is however a misinterpretation of the facts.

The world market price concept was advocated in the 1960s by a few Polish and Hungarian economists. They thought that if the industrial production prices will be adjusted to world market prices, then we will be able to measure the international efficiency of our domestic manufacturing on a product basis, and this may help orient our structural (sectoral development and product structure) decisions. But such a price system cannot be operated, particularly if the task to be accomplished is the activation of the market mechanism.

The purpose of the 1980 changes in the price system was to adjust the industrial production prices to the world market prices in the given production structure. Yet this was the backdrop of the production cost versus world market price controversy. The task set in 1980 was as follows: the product price should perform a balancing role between demand and bid. At the same time entrepreneurial profitability should as closely as possible reflect efficiency on international terms; the industrial production prices should be able to operate in such a guidance system in which the expansion of the export potential and an improvement in export efficiency are playing a decisive role in the structural policy.

In order to achieve this we have taken two steps in 1980: First--in view of our dependence on imports of natural resources--we adjusted the shaping of domestic prices of energy carriers and industrial raw materials to their import prices in convertible currencies. Second, in our exporting processing industry we introduced a price system adapted to the exports. We did not adjust the domestic product prices to the world market prices, but we adapted the lucrativeness of the enterprises to the profitability of their exports and the changes in the entrepreneurial price levels to the changes in the export price levels. The concrete prices of products on sale abroad and at home may be essentially different. This is understandable since in the CMEA relationship the export prices are regulated by inter-state agreements, while in domestic marketing the bid and demand relations are determinant.

By placing the industrial prices under the control of international price and profitability conditions, the price system got assigned a task that can be successfully undertaken only under developed market conditions, with complete internal and external balance and competitiveness prevailing. Such conditions did not exist in 1980 and do not exist yet. Therefore it was necessary to put curbs on price-shaping by the enterprises.

In other words, by introducing a price system which follows the export price we have established a simulated competitive price system in which two limitations--i.e. export profitability and export price-level curbs--are operative. We should add: this competitive price system was introduced at a time when the protection and growth of our exports demanded extraordinary efforts because of the worldwide recession.

The shift from the self-accounting price to the balancing price is a complex process. From this point of view both the 1968 and the 1980 price referoms might be considered significant progress, but the process of transformation is far from being completed. For the years to come we have worked out an agenda of three stages. In the first the export-oriented industrial price-shaping will invariably be curbed by the above mentioned two limitations. In the second stage the profitability-curb will be dropped. In the third stage the adjustment to the world market prices will be a matter of agreement between buyer and purveyor, rather than the result of official prescriptions. One kind of a curb will still remain in force even in the third stage, i.e. that the production prices of industrial products cannot be, as a rule, higher than the real or potential cost of the imported product.

6. Establishing Coordination between Price-Shaping and Cost Calculation

A rational price-shaping system supposes the existence of an adequate calculation system which is fundamentally different from the traditional self-accounting system. The attributes of the calculation are changing when it is not made for the information of the government agencies but for laying the ground for managerial decisions.

We have to point out two features of the normative cost-accounting: The one is that we have to account as expenditures such outlays which in reality did not occur, or at least did not attain the extent of the prescriptions. There are among them expenses which are in part withdrawn by the state from the enterprise, as it happens in the case of the amortisation expenses and the technical development fund. Another aspect of the normative calculations is the principle of abiding by the average cost.

Such a system of cost accounting almost requires a gross system of budgetary accounting. In this way the enterprise will slip into red figures as soon as the price surpasses the real cost. Consequently the balance-sheet may show deficit even in cases when the treasury withdraws funds from the enterprise which surpass the subsidies.

Cost calculation means the combination of production factors and production structure. The enterprise combines the given (or obtainable) production factors and sets them against the sale price in order to achieve an optimal result. The relation between cost calculation and the obtainable price acquires particular importance when a significant part of the decisionmaking must resolve the problem to what extent and with what kind of products it is worthwhile to exploit the production capacity in order to increase exports, or to manufacture domestically an item that had been imported thus far. According to the cost calculation this is advantageous when the additional price profits achieved by an increase in production cover -- in addition to the variable expenses -- also part of the fixed expenses; presuming that the earnings by the sale of the products manufactured at the earlier lower exploitation of production capacity cover the fixed (permanent) expenses of the enterprise.

According to the rules in force the enterprises may use in the calculation of their lucrativity, thriftiness and planning any form of cost calculation. Yet the official rules concerning cost calculation and price-shaping are restricting for a variety of reasons: overhead and profit differentiation among the principal marketing relations, export to the capitalist countries, to the socialist countries and the domestic market. Thus, although initiatives have been taken since 1968 to propagate cost calculation, it could not be organically integrated into the system of managerial decisionmaking. This deprives our economy from some relevant possibilities to improve the country's external balance.

The extensive application of cost calculation is also made difficult by the government agencies' excessive demand for information. Compliance with this demand compels the enterprises to maintain such an accounting and calculation system which allows no leeway and intention to introduce a radically different method. Thus the basic problem is how we could satisfy the information demands of the government by a system whose attributes are governed by the rational orientation of the enterprises. In other words: we should reorganize the entire system of accounting along the lines of cost calculation.

7. Decentralisation Process and Monetization of Economy

It follows from the philosophy of regulations based on external resources that the main thrust of the modernization of the Hungarian socialist planned economy is not decentralization, as many think it is, but the monetization of the economy. Of course the cancellation of the central planning indices and the declaration of independence of the enterprises are entailing a reorganization of the spheres of competence and this amounts to a sort of decentralisation. But let me add immediately: as a consequence of the monopolistic organisational pattern which is endemic to the socialist economies, in 1968 it was not decentralization which happened in the key industries but the switching of the spheres of authority to enterprises (trusts) which had a national sphere of authority.

But what is essential is that when the state wants to regulate with economic means, it has to use primarily and overwhelmingly financial processes to guide the economic processes. This is only possible if monetary functions have their way. It was therefore that we thought, from the very outset, that the independence of the enterprises, their share in the profits, the free flow of capital, the self-financing, the activation of the credit policy and last but not least the convertibility of the currency should be the main lines leading to a constant renewal of our economic policy.

Today there is no currency based on gold. Yet the monetary functions can be performed also by the realizable forms of currency convertibility. The process launched by the 1968 economic reform projected the possibility that by the mid-1970s the outside convertibility of the forint maybe declared. The 1973 price explosion of the oil on the world market thwarted this intention. The second oil price explosion around 1979-1980 delayed

again the convertibility of the forint, which was again assumed possible for the mid-1980s. The following set of steps shows however the intentions of our government:

a)--In order to restore the harmony between domestic and foreign prices, which was destroyed by a 1951 price decree, we introduced, in connection with the 1959 reorganization of the prices, a "foreign trade price coefficient."

b)--Since the 1968 price reform we have applied this "foreign trade price coefficient" as a regulator in determined areas of products.

c)--A 1972 decree on "joint venture" grants the associated foreign co-owner the right to withdraw his capital and to transfer his earnings.

d)--The foreign trade price coefficient functions since 1976 as a current trade price.

e)--We passed in 1981 from the dual (trade and non-trade) exchange system to a uniform quotation of the forint against convertible currencies.

In world market relations the market mechanism regulates the rational attitude of the partners and in many respects our ties with some international institutions are a precondition of trade without discrimination. Our country joined the GATT in order to be freed from the prohibitive customs tariffs. Obtaining our membership in the International Monetary Fund and in the World Bank was important among other things because only member countries can participate as exporters in the development programs of the Third World which are financed by these institutions. Our steps, which have been made so far and to be made later, in favor of currency activation are also devised to serve our accommodation with the world trade conventions.

8. Currency Functions and our Exchange Rate Policy

Some of our economists, after comparing the price levels of various nations, reached the conclusion that Hungary overrates the forint against the currencies of the socialist countries, while we pursue a policy of depreciation of the forint vis-a-vis the convertible currencies of the Western countries. In this connection we have to point in the first place the close connection between the functions of the currency and the policy of foreign exchange.

Within the CEMA foreign trade is naturally organized. In these relations prices serve only to distribute the income between the member states, and the currency has an accounting function. Conversely in the relations outside the CEMA the exchange rate of the currency serves as a domestic regulator of the income of the enterprises and profits are playing a role in the development of the foreign trade volume and the product structure. In the relations outside the CEMA the active function of the currencies requires balanced exchange rates.

In the non-commercial business deals, for example in tourism, the currency plays an active role within the CEMA. But when the functions of the currency are not limited to trade, it is valued, customarily, according to its purchasing power. From this vantage point the forint is indeed underrated vis-a-vis the Western convertible currencies. The balanced exchange rate has that basic peculiarity that it underrates the currency of the country, which is on a lower level of economic development, below its purchasing power parity, in contrast with other countries which are more developed.

I have to add something. The purchasing power of a currency is defined by the price level and the volume of supply of goods combined. We are making great efforts to maintain a satisfactory supply of consumer goods. For this sake we even tolerate inflation to a regulated extent. There are socialist countries which grant priority to keeping the consumer price level unchanged and rather tolerate scarcity in consumer goods. Further the domestic value of the currency is not identical with its foreign value. The difference might be important if there are several public services which are free of charge or cheap for the citizens, while foreigners have to pay more for them, as it happens in the case of hotel prices in some CEMA countries. Finally, when price levels are compared with the purpose of measuring the relative value of certain national currencies, the money in question should be valued in the "diplomatic" rather than in the "consumer basket" structure.

In one word price policy is the result of the combined assessment of a variety of factors.

9. Contradictions between Import Restrictions and Structural Changes

At present we work on keeping our solvency. We have slowed down the pace of economic growth since in the given production structure it would require such an increase in imports that we cannot counterbalance it with an adequate growth in exports. And even while we are limiting economic growth, we have to restrict imports.

In order to coordinate our debt service with financing our imports, and always our international solvency in mind, we worked out an import limitation schedule of various stages. During the first state, in 1982, product-oriented severe import-restrictions were applied. This caused a considerable decrease in imports. During the second stage, in 1983, the reference system was introduced whereby in the area of raw materials and productive component parts imports were dependent on entrepreneurial references.

We presume that in 1985 we will be able to report to GATT that the restrictive regulations have been abolished, more exactly that during 1984 we will restore, with some amendments, the import management system that was introduced in 1968.

The year of 1982 was a critical period since import restrictions represented a break in the restructuring process, which is an important condition of the development of our export potential. From this viewpoint in 1982 the

contradiction between our short-term goal of keeping our solvency and the medium-term goals of structural changes became sharper.

With respect to technological modernisation and structural changes the coordination of the criteria of import substitution and export promotion represent in general the greatest problems. This coordination can only be carried out on the basis of relative prices. This is however thwarted now by our restrictive import management, which has been enforced by the partial credit embargo. This is why we had to replace it in 1983 by the reference system which takes into account the complexity of the economic processes. At the same time we did not yet find the economic means by which the import of investment machinery could be regulated within our limited payment possibilities and observing the criteria of efficiency.

10. New Growth Trend and Supply of Capital

The import restrictions are based on such administrative measures which tend to conserve the production structure. We are looking for ways of solving this contradiction. The new growth trend has of course some unclear elements. These are perceptible in the first place in the areas of energy rationalization, specific material savings and the utilisation of secondary materials. The technological changes which help save material and energy within the existing production structure do also improve the international competitiveness of our economy. But this is only one aspect of the situation. After all, one quarter of the Hungarian industrial capacity is going idle because the import prices of materials and energy that are necessary to keep it operating at full capacity are higher than the export prices of our manufactured products. On the other hand, changes in the structure are likely to attract import of capitals.

The issue of foreign debt service is closely related to this. The net amount of Hungary's foreign debts is not too big, but the maturity structure is unfavorable: within the gross amount of outstanding loans the ratio of short-term credits is too high. Anyone who is knowledgeable in financial matters knows that turnover capital committed to production is needed together with fixed capital. The difference between the two is only that fixed capital is part of the production capital which is made up by buildings and machines, while the turnover capital is closely related to the production cycle. However, the production cycle repeats itself permanently. Thus, if we withdraw the turnover capital from production, it cannot be entirely substituted by either savings or income derived from production profits.

The problem that we have to face nowadays is that the renewal of short-term credits is not as easy as it had been earlier. A trend toward the withdrawal of capital is perceptible. In other words: at present Hungary is forced to produce enough export surplus to pay not only the interests on the existing debts but also to reduce its liability. Therefore a peculiar export multiplier effect is now noticeable. I wish to point in this respect to the specific relations between the growth of the export surplus and the domestic utilisation of the GDP. In case of foreign

capital withdrawals it is necessary to save in domestic utilisation the multiple of the export surplus, since only a small part can be converted abroad of those funds that our restrictive monetary policy siphons out of domestic utilisation. In Hungary's case the multiplier is relatively high since the production structure has developed in compliance with the excessive domestic demands and the foreign trade requirements of our CEMA membership. This explains the rationale of the efforts that we are making on one hand, relying on the improvement of our international economic relations, toward a satisfactory solution of the capital supply, and on the other hand furthering the economic reform process in favor of the liberation of new internal growth potentials.

12312

CSO: 2500/306

GORYWODA SURVEYS ECONOMIC SCENE ON EVE OF PARTY CONFERENCE

Warsaw POLITYKA in Polish No 12, 17 Mar 84 pp 1, 4

[Interview with Marian Gorywoda, vice chairman of the Council of Ministers, chairman of the Planning Commission, by Jerzy Kleer, Jacek Poprzeczko and Zygmunt Szeliga: "Cautiously Forward"; date and place not specified]

[Text] [Question] We are talking on the eve of the PZPR National Conference of Delegates which is due to assess, inter alia, all that has been done in the area of economic policy and economic reform during the 32 months since the Ninth Congress. Let us, therefore, begin our interview with an attempt at a diagnosis. Has the Ninth Congress line been consistently implemented, and could we have made more progress? We will not deny that the question as formulated implies some doubts on our part, and not only ours.

[Answer] In my opinion, both our socioeconomic policy and the reform aim at targets and follow rules set up by the Ninth Congress. The general target and the rules, however, provide only the most general platform or guidance for action, while the practice of both our policy and the reform is shaped by reality too, by internal and external factors which influence our ability to reach targets and to abide by rules. Those factors, in turn, have since the Ninth Congress undergone considerable changes, both in the political and in the economic areas.

[Question] But those changes have not been only for the worse...

[Answer] I did not say that. The situation is simply different. Some things have changed for the better. In comparison with 1981 we have now a much improved political situation, there are no strikes which cripple the economy, cooperation links have been restored or forged, we have achieved a much higher degree of discipline in the economy, the market is much more "sedate." Above all, in my opinion, we have accomplished the most important target of the first stage of overcoming the crisis, that is to say, the process of economic decline has been halted, and trends of growth have emerged.

[Question] The list of those advantages is by no means short. It would follow that economic policymaking today has become easier.

[Answer] But the list of things which have changed for the worse, or remain unfavorable, is not a short one, either. In the political scene there are

frequent cases of succumbing to crisis, of lack of confidence in the reality of success. There is no lack of postures which disregard the real capacities of our economy. Part of the economic apparatus has not yet learned to adjust to the new circumstances under which the economy operates, or to the new rules of its functioning. The external conditions have changed much for the worse, due, for instance, to the American restrictions, to the state of the balance of payments and trade, to the recession in the world markets. As far as internal economic factors are concerned, today--as compared to the Ninth Congress period--we have a much more profound and more realistic assessment of those factors. The possibilities are modest, much more restricted than we had anticipated. I am thinking about the reserves of labor, the reserves of raw materials, the productive potential--in particular when viewed from the standpoint of the qualitative and technological requirements of the world markets. We still have a situation of profound disequilibrium, not only in the marketplace but in the economy as a whole, and that, obviously, has rendered the management of any economic policy much more difficult. The inflationary processes are very painful. In short, comparing what is better with what is worse, it is by no means easy to answer your question of whether the process of improving the economy and overcoming the crisis could have actually proceeded further than it did. This is a somewhat academic question. One can, after all, always reply that things could have been better, even given the existing circumstances, if only--but there are many "if onlys."

[Question] Under the heading of those "ifs", above all we would like to include the problems of how the economy operates, that is to say, about the reform. Speaking in a more general way: an economic policy consists of a system of shaping and achieving socioeconomic targets. It is implemented within a certain framework, created by the system of operating the economy. The worst situation, and this used to happen in our country, occurs when both the economic policy and the system of its operation are bad. The best situation means a good policy and a good system. The most frequent combinations of operation, and vice versa. So, to get back to our "if only," we would claim that we have a good policy but a bad system of operation...

[Answer] It is hard to accept such a lopsided, unambiguous statement. Our assessment has to be at least more hedging--both with regard to the economic policy and to the system of its operation. The policy and system of its operation must be viewed dynamically, in the course of their changes. Besides, there are two additional elementary questions which should not be forgotten. First of all, the shaping of an economic policy, as well as the system of its operation, depends not only on the good will of the decisionmaking centers and on their knowledge of the realities and of their conditioning. One always has to consider the social customs, the existence of various groups of interests, the psychological barriers, etc. In the second place, you have been treating the economic policy and the system of its operation as autonomous values. In my opinion, if--as has been said before--we are to consider the economic policy as a system of shaping and achieving socioeconomic targets, then the system of its functioning must promote this target and must be adapted to the needs and the conditions of economic management. Obviously, we have not, as yet, achieved this necessary

cohesiveness. But in my opinion it is not less obvious that during the 2 years of the reform we have come much closer to the target, and in time such convergence is bound to grow.

Near and Distant Targets

[Question] We share your point of view, but we would like to signal a certain danger. When the system of operation and the long-term, general targets of the economic policy are put face to face, there is no problem. It gets worse when the system of operation is treated in too instrumental a manner, defined not in long-range terms but as short-term, or even current, problems of our economic policy. We think that under such circumstances one cannot speak about any system at all--and that has happened more than once. In this sense we would rather tend to treat the system of operation as a certain autonomous value, precisely in relation to the current, short-term economic policy.

[Answer] From the vantage point of the head of the Planning Commission, I see no conflict between our economic policy and its system of operation, but rather --and above all--a conflict between our general long-term targets and the short-term, or current, needs and necessities. It is a dramatic dilemma, especially during an economic crisis when difficulties brought about by the fall in the national income, by the fall in real-term incomes, and by the market situation painfully afflict the population. In a socialist country the economic policy has to serve the people; it should therefore do its best to assuage and to eliminate difficulties, to reduce the areas of distress and of low-level satisfaction of needs. But we only have so many resources, and--as has been already said--no one can expect their abundance. If we spend too much to satisfy our current needs, we will come up short in laying the foundations to better satisfy these needs in the future. If we are not to neglect the future--of our country, its economy, and its population--we will not be able now to appropriate as much as is needed, or as much as we should, for the immediate improvement of the living conditions.

[Question] In what area does this competitiveness of targets seem most acute?

[Answer] Virtually in all of them, throughout the area of our economic policy. An important point: that is not always obvious to casual observers. The problems of our fuel and energy base are a good example. We might claim today that we have enough coal and energy, so there is no problem in this domain. One might suppose that we should invest mainly in the light industry or in other branches which improve the market situation and raise living standards. This would be, however, a fatal mistake. We already know that a shortage of fuel and energy will appear in the 1990's. Any counteraction means immediate outlays, since those are long-term, and most expensive, investments. We have to undertake them, however, reducing outlays for other needs, those--let us call them--"more attractive" from the point of view of the population. As an example of such decisions we might cite our agreement on cooperation with the USSR in completing the construction of a coke plant in the Katowice Steel Mill, or in the construction of a new natural gas pipeline from the Soviet Union. Those investment projects will allow us to step up the production of coke in Poland,

and to increase imports of sorely needed natural gas from the USSR in exchange for coke. Another conflict of a similar nature, also often disregarded or underestimated, has been brought about by our needs derived from the decapitalization of our national assets, from the growing technological gap. Once more, to counteract this danger we need outlays at the cost of other current needs. Another example, actually derived from our current policy and clearly perceived every day, is the contradiction between the need to intensify exports--as a precondition for economic expansion--and the requirements of the marketplace.

[Question] We do not envy the chairman of the Planning Commission who has to move, or rather to zigzag, between all those contradictions... One point, however, raises doubts. In the present state of the balance of means there is a painful contradiction between the current needs and the long-term ones. But for the chairman of the Planning Commission the problem cannot be reduced to a question of how to divide the limited means. The main problem consists in increasing the sum total of those means, and in terms of intensive development--in using them more effectively in order to assuage considerably the general conflict.

[Answer] Surely you do not suppose that we, in the Planning Commission, think in different terms?

[Question] We do not think so, but in our economic practice we have made some disturbing observations. Let us consider, for instance, last year's results. Production has indeed gone up, but at the same time its disadvantageous structure has been consolidated. Old mistakes are being repeated...

[Answer] This question implies several problems which cannot be answered in a few sentences. The main problem concerns the consolidation of the disadvantageous structure. Such occurrences indeed took place last year. There are at least several reasons. As the most important one, I would consider an insufficient supply of raw materials and components for the manufacture of consumer goods, both industrial products and foodstuffs. To the low dynamics of market supplies contributed in particular the fall in the supply of meat and meat products, as well as insufficient imports from capitalist countries for many market branches. By the way, it is frequently ignored or underestimated that in many branches the increase in market production depends on much greater imports from capitalist countries.

A negative impact on the desirable structural change in production has resulted from excessive investment outlays, which have absorbed many raw materials and components in short supply.

Structural changes require two fundamental factors: first of all, an ample supply of material elements (machines, tools, raw materials, and components); second, time, which is an economic term, too. In the short term our ability to change the structure of production, and even more so the structures of development, is rather limited.

[Question] But has not the insufficiently consistent policy of the economic center contributed its share, too? Last year, for instance, there was much talk and promise about the so-called hard financing, hard money, bankrupting bad enterprises, etc. Not much of it has become reality.

[Answer] We are dealing here with three different matters. First of all, only during the last year has the center been equipped with some of those instruments. We function, however, under conditions of a new system of operation, and therefore the so-called "manual steering" is out of the question. We have to use economic instruments. Since they were introduced only during the year, they virtually could not have been implemented--without violating the logic of the system--earlier than 1 January 1984 at best. The second question is whether the economic machinery and instruments already at the disposal of the center suffice to ensure the necessary harmony between our general targets and needs, for instance, and the particular interests of some enterprises, branches, or pressure groups, especially given the existing economic disequilibrium. Finally, the third question: Are we, at the center, yet capable of proper and effective use of those instruments?

[Question] If we were to judge the matter according to the results, we would have to say that we are very far removed from that [target]. As an example, we might point out the entire investment domain...

[Answer] This is a good example. Indeed, last year we had no system which could assure proper allocation and impact on the level of investment outlays. The result is well known: we have spent over 200 billion zlotys more than planned, three-quarters of that in the socialized economy, and we still have many underinvested areas, menaced by decapitalization. There is no doubt that investment must be steered in a much more effective way.

[Question] Is there any hope for that this year?

[Answer] We have submitted to the government a draft proposal for undertakings which should make increased central impact and control over the investment level possible. One of the most important issues here concerns closer cooperation between various organs of the economic center--the banks, the Ministry of Finance, the Planning Commission. We have to estimate the enterprises' revenue much more precisely. Without such insight and control, we will not be able to insure balanced investment, and thus to enforce, through regulation of demand, the necessary changes in the structure of production.

[Question] But even assuming a correct investment policy, it would not affect the structure of production earlier than in a few years' time. It should be modified, however, even within the framework of the existing production capacities.

[Answer] Here, too, investment is of major importance. After all, if we manage to reduce the investment demand, we would gain additional production capacities for the market or for export production. The adaptation of the productive apparatus to market production has to overcome a major imports barrier. The producers claim that if there is import, there will be market production as well.

The Zloty Exchange Rate and Imports

[Question] Might we not reward them with exports preferences, instead of allocating dollars? In this case, the producers would be able to pay for their imports on their own.

[Answer] The problem is not all that simple. First of all, many producers do not export and have no chance for any short-term promotion of exports. Second, we already have a whole system of exports preferences, which might seem to be sufficient. The crux of the matter is that the domestic market is strongly competitive in relation to exports, since many market requirements have not been met yet because of a low turnout and a low market supply.

Thus, for instance, even if the 1984 plan were fulfilled, the market supply of cotton fabrics per capita would remain nearly 50 percent lower than in 1979. In some areas the difference will be smaller, in others we will exceed the highest levels of supply ever. But even then, as far as many goods are concerned, there will still be shortages.

What chances, then, has export in competition with the domestic market? What kind of stimuli should be introduced? How much to pay for a dollar?

[Question] The rise of the exchange rate to 110 zlotys solves nothing. Moreover, not only the producers of consumer goods need stimuli. In this respect domestic market production should indeed be protected against the competition of exports, but what about other areas?

[Answer] How are we going to induce those other producers to increase exports? Supplying the domestic market, they can live in peace, sell everything and be thanked for it, dictate prices; they need not be overly concerned with quality, either. As long as the producers do not have to export in order to survive, exports will long remain less profitable for them. In the interim period of disequilibrium we have to use some substitute solutions--for instance, tightening up the relation between imported purchases and sales abroad. We are preparing some appropriate solutions.

[Question] The modification of the exchange rate obviously will not solve all the problems. But, in general, the tendency to protect the domestic market has pushed aside the exports issue.

[Answer] Once more, we are faced with a typical dilemma. After all, it is well known that without a considerable rise in exports, and consequently in imports, one can hardly solve the market problem successfully. We have mentioned this before. The main problem consists in how to define the proportions. This pertains not only to market production.

[Question] The enterprises complain that they do not receive the promised material supplies needed for the fulfillment of government orders, which are, after all, the most important ones from the point of view of the general rules of our economic policy.

[Answer] That is partially correct. In the first quarter of the year exports barely covered 50 percent of the revenue needed to pay for unavoidable central imports. This is the consequence of unfulfilled export plans. The beginning of the year is usually the most difficult as far as export is concerned; I think it should get better in the next quarters.

The Danger of Free Prices

[Question] The next subject of our conversation concerns the price policy. It seems that our economic policy, and popular opinion as well, have already solved the dilemma of whether price hikes should be rare but significant or frequent but insignificant--by opting for the latter solution. Our question, addressed to the chairman of the Planning Commission, concerns not this issue, but our general approach to prices as an instrument of our economic policy.

[Answer] Prices should play an active role. They must contribute to the restoration of economic equilibrium, become a factor of rational allocation of resources, shape the desirable structure of consumption, etc.

Taking into consideration all the internal and external conditions, this means in effect that it is necessary to become reconciled to rising prices. On the other hand, we have to try to reduce the rate of inflation, because excessive price rises bring negative social and economic consequences. It is not our dilemma only. Presently many countries are adapting their economic policies to their struggle against inflation. They fight, however, not against inflation as a certain process, but against excessive inflation. We aim, above all, to reduce the annual rate of inflation to a one-digit level (that is to say, to bring it under 10 percent). The present annual index of inflation is still considerably higher and, moreover, hard to implement. All these things depend chiefly on the situation which will obtain in the price and income domain.

By restoring order in our price problem, we have taken a major step forward, but there is still a lot to do. We must--since that is what the economic reform requires--restore the proper relations between prices and outlays, and make more active use of prices for the balancing of various market segments.

[Question] Is our price policy, which to a large extent amounts to centralized price fixing, really the best way to regain the market equilibrium? Should not the prices themselves tend to find their balance?

[Answer] To start with, the center only fixes some essential market prices, mainly of foodstuffs. Prices of other goods are regulated by their producers. Should the government remain just an observer as far as the latter are concerned? I do not think so.

We cannot afford totally free price fixing, precisely because we lack equilibrium. Under present conditions of market scarcities, enterprises would make money not because they work well, but because the market situation is bad. We have assumed that the new operational system would force independent economic units to behave in conformity with our general aims. Specifically, the good-working

enterprises which produce needed products and increase productivity should have plenty of development funds; others however, should have less or none at all. But given the market disequilibrium, this premise is not, and cannot be, consistently followed. This does not conform to the spirit of the economic reform, but continues to be the result of the surviving profound disequilibrium, especially at the marketplace. Precisely because of this disequilibrium, enterprises which actually work badly frequently enjoy a good financial situation, while the good-working ones are in trouble. That is why the government has to intervene in the area of price fixing, preventing their arbitrary levels and the exploitation of disequilibrium for the "enrichment" of some enterprises.

[Question] What we have in mind is setting in motion a system capable of adjusting the enterprises to the market situation by means of increased production. Let us look at the automobile industry; were it given just one-half of its profits it would be able to develop a turnout proportionate to our needs within 3 to 4 years. Instead, the motor industry does indeed bring considerable revenue, but for lack of funds has no prospects for development.

[Answer] It is not true that the motor industry has no prospects for development. Together with the enterprises and the ministries, we are now preparing the necessary programs. The question, however, has a more profound meaning, and the motor industry serves just as an example. Your question assumes full equilibrium which--as we have agreed--does not exist. You assume that it is enough for car factories to have money in order to solve all the problems of the automobile industry.

What good is it if the motor industry has the money but not its material equivalent? In order to develop the car industry, we have to provide a proper turnout in the steel industry for example; otherwise there will be no sheet metal for car bodies. We have to safeguard increased fuel supply, because otherwise we will have cars but no gas to run them. If we admit uncontrolled development, the result will be production, but by no means of goods most needed for the national economy. Central planning exists in order to prevent that from happening.

When Money Means Money

[Question] But if one has to plan in money terms first, and then in products as well, it means that money is not money anymore.

[Answer] Money is money when the market, the supply, the investment, are balanced. We could eliminate all the controls even today, and then the car factory would receive higher revenue and would be able to pay wages amounting to thousand slotys, but would it--because of that--operate better than other factories? Not at all; this would happen because of the market disequilibrium. The factory would siphon more money away from the market, but that would not increase supply. After all, this money would be, to a large extent, inflation money.

[Question] On the other hand, we will achieve no equilibrium without effective stimulation of production. Why did we delay for so long the reform of the wage

system which provides for especially essential stimuli? Why has the economically obvious and common-sense rule of paying according to work done been introduced simply as an experiment?

[Answer] For the same reasons that we have discussed here all along. In the abnormal economic situation caused by disequilibrium it is difficult--as we have already pointed out--to determine who works well and who badly by financial results. Besides, it could happen that an enterprise would work badly through no fault of its own--people could do their best, but the material supply might remain irregular, and the results therefore poor. That is why reforming the wage system involves serious risk. Excessive wages can appear. Will our egalitarian-minded society accept it, in particular if the wage differentials are due in many cases not to the quality of enterprise operation, but to its privileged position (the market question)? I would like to point out that despite all those reservations, I favor a modification of the wage system. If the reform is to bring results, it must be implemented inside the enterprise. The rule according to which the good ones advance and the bad ones get angry must be applied to the enterprise and to each individual worker. This rule functions effectively under conditions of acute competition. How should it be implemented in the existing circumstances? It is really difficult, and the term "experiment" should surprise no one, especially since it has an additional meaning--enterprises are allowed to experiment and to introduce wage systems of their own, adapted to their specific needs and circumstances. Managers kept claiming: Let the center give us a good wage system. But what kind of a good wage system can Minister Ciosek or Chairman Gorywoda present for a specific enterprise? It is inside the enterprise that such a system should be worked out, because that is where their needs are best known.

[Question] In your previous interview with POLITYKA you admitted that the state had gone too far in developing its welfare functions. Are we to expect some reduction of the social benefits?

[Answer] We went too far, and in particular we advanced on a front too broad in relation to our economic capabilities. There is no question of withdrawing now. It is difficult to take anything back. But we should tighten up the relationship among benefits, labor, and wages. Not employment in a certain industry branch alone but the quality of work done should create the right to claim benefits. All those are the most delicate issues. They may be successfully tackled only by proceeding carefully, by arguing and consulting everything with those most concerned, above all with the labor unions.

[Question] We have been talking all the time about cautious proceedings, about compromise and half-measures. In many cases they are indeed unavoidable. But will the world treat us with kid gloves? The technological gap is becoming alarmingly wider. There is a threat that we might drop out of the civilized community we had joined in the 1970's. What is being done to prevent it?

[Answer] First of all, we must better exploit the domestic scientific and technological bases and promote innovation. This may be achieved, inter alia, due to the systemic modifications introduced at the beginning of this year, and

to the draft law on rationalization and innovation, which the government has already submitted to the Sejm. Second, and we have already talked about this as the most essential issue, we have to modify the direction of investment. In the coming years we will have to increase considerably the part of the modernizing investments in order to accelerate the possible innovative procedures.

Expectations and Disappointments

[Question] Modern technology requires imports as well.

[Answer] And imports require exports. We must fully realize that next year the conditions of development will remain complex, and essentially different from those in the 1970's. That is why we must deplore the surviving relics of thinking derived from the extensive growth period; they have already reached the point of no return. Part of our industrial cadres continue to think in outdated terms. There are managers who still would like to haggle for greater allocations, for depreciation allowances, for foreign currency deductions. They give up exports, or do not try to increase them, because they live well. This is fine for today, but what about tomorrow? There will be no economic expansion without exports. I would like stress the growing importance of competitive exports to the Soviet Union and to other CEMA countries as a necessary condition for the rapid development of trade exchange and its broad utilization for the accomplishment of social and economic targets.

I do not want to simplify anything. The media write: "Everything depends on the economy." Indeed, a lot does depend on it, but allowing even for perfect coincidence, the economy cannot hand out more than it has. We are not alone in coping with difficulties. In many countries economic programs now assume a growth rate of 1.5-2 percent, and consider it an optimal one. Were we to deceive ourselves [into believing] in development by leaps and bounds, in abrupt raises of real wages, the confrontation with the hard reality would bring us only disappointment. We must try to squeeze out of our economy all we can get, but at the same time we have to know that our expectations must take into consideration the real possibilities.

[Interviewers] Thank you for the interview.

12485

CSO: 2600/812

BRIEFS

FALLING PRODUCT QUALITY FACTS--Last year, manufacturers, downgraded the quality ratings of 30 percent of their products. Actually, though, the real decline in product quality was probably much greater than that revealed by statistics on complaints and losses. Under these circumstances the vast majority of manufacturers are violating all kinds of standards, including product quality standards written into law. Only a small number decide to file applications for official permission to deviate from the requirements of Polish National Standards. In 1983 the largest number of applications for relief from Polish National Standards rules--read--official consent to reductions in product quality ratings--were filed by the Ministry of Metallurgy and the Machine Building Industry--49 (31 approvals), the Ministry of Agriculture and the Food Industry--13 (eight approvals), cooperatives--17 (seven approvals), and the Ministry of Construction and the Building Materials Industry--seven (five approvals). [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 17, 22 Apr 84 p 2]

HEAVY INDUSTRY PROJECTS GO-AHEAD--Construction work is moving ahead on three capital investment projects suspended in 1981, i.e., a coking plant and chemical works complex together with support installations and a rail heat treatment division at Huta Katowice and a section bending division at the "Huta Pokoj" Iron and Steelworks in Ruda Slaska. [Text] [Warsaw ZYCIE GOSPODARCZE in Polish No 17, 22 Apr 84 p 2]

CSO: 2600/932

IMPORTANCE OF HIGH-QUALITY PRODUCTS STRESSED

Bucharest ERA SOCIALISTA in Romanian No 6, 25 Mar 84 pp 10-15, 47

[Article by Dr Ilie Radulescu: "Quality, a Major Requirement of the National Economy"]

[Text] Defining the essential objectives of Romania's progress in the current 5-year period and in the future, the 12th Congress of the Romanian Communist Party put among them, in a priority place, the attainment of a new quality in all fields of activity. The basic objective of the current 5-year period—Comrade Nicolae Ceausescu stressed in the report to the congress—"is to continue, on a higher level, the implementation of the party's program, to expand the national economy at a steady rate, to strongly affirm the scientific and technical revolution in all fields, to proceed to a new quality in all economic and social activity. The even stronger consolidation of the socialist mode of production, the raising of the degree of civilization of the whole populace, and the strengthening of the country's material and spiritual force and of socialist Romania's independence and sovereignty are secured on this basis."

A Mode of Existence and Affirmation of the New Social Order

The specialized dictionaries define quality as a unity of the essential traits and aspects by virtue of which a thing, a phenomenon, a social order is what it is, differing from other things, phenomena, social orders in precisely such qualitative specifics. Quality defines the essence of the specific aspects and traits of the objects, phenomena and processes in nature, society and knowledge, in contrast to quantity, which refers to their size, to traits capable of being measured and interpreted numerically. At the same time, in analyzing the subject that concerns us, it is necessary to take into account the dialectical relationship between quantity and quality, especially in the field of social life, a relationship that is expressed in the axiom according to which, logically, under certain conditions, in a certain stage, quantitative accumulations lead to qualitative, essential changes. Quality has a relative character, of course; it manifests itself within certain parameters that define and determine its essence. It is not given once and for all; its tendency is toward change, toward dialectical transformation, a result of new quantitative accumulations, in a new quality, of a higher value.

Applying the above-mentioned to social life, to the requirements for developing our social order, the conclusion according to which quality concerns the nature

of the socialist order--it being, naturally, under the influence of the dialectical process of its internal change--seems obvious. Socialism is superior to capitalism precisely in a new quality of the social order--concretized in essential traits such as the exercise of political power by the working people, the existence of socialist ownership of the means of production, the doing of distribution and remuneration on the basis of the principles of socialist equity, and others. It can maintain this superiority and can assert it more and more strongly, more and more actively only insofar as it raises higher and higher the quality of the social order, of the life of the people in all its components, only insofar as it widens the democracy on the plane of political and social life, develops and consolidates public property, achieves new material and spiritual living conditions for the whole populace and forms a man of a new type, in accordance with the socialist principles of life. And the vigorous development of the production forces, their rational placement and their efficient structuring within the national economic complex, the development of science, education and culture and the improvement of the entire activity of organization, management and practice of social life are subsumed within all these requirements. This is why we feel that, under socialism, quality and the raising of the level of the quality in all areas of social activity represent not just requirements for social progress, but the very mode of existence and affirmation of the new order.

What is specific to our socialist society is the fact that it is, as a social organism, in a process of continual, dialectical qualitative evolution, which, inevitably, under the stimulus of quantitative accumulations, leads to new, higher qualities, which define better and better the essence of a social order of which the meeting, under optimum conditions, of the living requirements of the working people is the supreme goal.

For precisely that reason, the problem of quality, of the quality about which we are speaking, is closely related to the process of objectively developing our society. The relativity of quality, its dynamic character and the ineluctable tendency toward a new, higher quality refer to the objective evolution of the socialist society toward higher stages of progress, to the permanent character--although complex and contradictory--of the revolutionary process of development of the socialist order. In the view of the Romanian Communist Party, the socialist revolution did not end with the gaining of power, but it is still continuing, under specific conditions, in the era through which we are now passing. The idea of continual revolution--in a scientific, creative sense--takes into account the dialectical evolution of the new society toward higher stages of progress and civilization, its development, of a revolutionary essence, toward higher forms of social life, organization and efficiency.

Such a view on the revolutionizing of society also leads us to the conclusion according to which quality is--and it cannot be otherwise--a mode of existence, of manifestation of the socialist society. As a result of long quantitative accumulations, our social order has reached a stage of development that requires a new, more exacting and more complex view on the quality of social life, of the aggregate of the construction activity of the nation.

This year, four decades will be completed since the antifascist and anti-imperialist revolution for social and national liberation in August 1944. During

this period, there have been a number of processes of a qualitative nature and, at the same time, a number of quantitative accumulations, especially after the ninth congress, which necessitate--as the 12th congress and the national conference of the party urged--the transition to a new quality in all fields of economic and social activity. If we may refer to the economic field, then the impressive accumulations in the field of technical equipping and of growth in the production forces are worth noting. For instance, the volume of productive fixed assets in the economy was 4.5 times higher in 1980 than in 1965. In the same period, the degree of technical equipping of labor rose 2.4 fold. In agriculture, the technical equipping has risen considerably, with tractors and machines for sowing, maintaining and harvesting crops now being provided, the equipping of the zootechnical sector has risen and complex land-improvement work has been done. The material base of education, science, art and culture has been developed, and the municipal resources of the cities and villages have been expanded and diversified. On the whole, national wealth and the degree of school and vocational instruction of the population have risen and vast experience has been accumulated in construction, social activity and in organization and management; we have thus reached a stage that entails, requires a new quality in all fields of activity, its purpose being to fructify, at a higher level, the propulsive role of socialist social relations, to truly assert--in all areas of social life--their superiority, that of socialist organization and management, to truly develop socialism on its own social, economic and technical bases, which can give a stronger push to the progress of the new, socialist society, can stimulate its evolution in the sphere of efficiency and prosperity. "We are in such a stage of our society's development," Comrade Nicolae Ceausescu says, "that quality in the entire activity, proper organization and management of all sectors, and concrete organizational work constitute the decisive factor in steady progress."

A Condition for Growth in Economic Efficiency

The requirement of attaining a new quality in all areas of the social order is closely connected with the major objective set by the 12th congress--namely, the stronger growth of the national economy and the projection of Romania into the ranks of the countries with average development, with the prospect of going, in a historically short period, into the ranks of the countries highly developed from an economic viewpoint. We have in mind the fact that the gaining of the social status of a country with average development does not mean--anyhow, it does not mean above all--just the achievement of new quantitative changes in the field of the production forces, of the technical equipping of the national economy, of the volume of physical production. On the contrary, it necessarily presupposes such a development of material production, such an evolution of the production forces which can and must lead to the efficient, better economic utilization of the country's material resources, to the growth of economic profitability, of national income. "Let us not forget for a moment," Comrade Nicolae Ceausescu stresses, "that we have the duty to do everything so that the entire activity and each product may be profitable, may yield maximum efficiency, since only in this way will we secure the stronger growth of national income, of the wealth of our homeland--the only way to more strongly develop the production forces, the whole society, to continually increase the material and spiritual well-being of the people."

The intensive development of the national economy, the promotion of a rapid rate of economic growth by intensively using the means of production and the results of scientific research, represents the sure way to put Romania among the countries with average economic development. This is the essence of the RCP's view on the new stage of economic and social development of Romania; this is the logical, economically substantiated conclusion that is drawn from the analysis of the great accomplishments amassed over the 40 years since the revolution in August 1944 and, in particular, over the 19 years of vigorous economic construction done under the canopy of the light rays projected by the Ninth Congress of the Romanian Communist Party and the later congresses.

Especially in the last decade and a half, Romania has been among the states with the most dynamic economic development. In the 1950-1981 period, for example, the industrial output rose 34-fold, the agricultural output 3.5-fold, the volume of foreign trade more than 40-fold, the national product and, respectively, national income 15-fold, real pay 4.2-fold, the peasantry's incomes per active person 4.5-fold and the sales of goods through socialist trade 16-fold. In gross national product and in other per-capita value indicators, Romania has approached the countries with average economic development, and for some basic products, including steel, chemical threads and fibers, plastic, cloth and footwear, vegetable oil and others, the per-capita production levels are comparable to those attained in countries developed from an economic viewpoint.

A number of results of a qualitative nature, which make evident the affirmation of an active process of growth in efficiency in economic activity along the coordinates defined by the party congresses, have been obtained. For instance, the social labor productivity rose 13-fold in the 1950-1981 period; the ratio between exportation's value and national income rose from 12 to 30 percent, which indicates Romania's more and more active presence in the world economic circuit; the commodity output, the net output and the monetary accumulations per 1,000 lei of fixed assets rose.

All these things are remarkable accomplishments, without signifying, however, the complete recovery of the distance that still separates Romania from the developed countries, the complete elimination of the economic gaps with regard to these countries, and the obtaining of maximum economic efficiency everywhere. In some cases, the degree of utilization of raw materials and the qualitative level of the products are not on a par with the technical equipping and the training of the personnel; some discrepancies between the structure of the assortments, the technical level and the quality of some products made and the requirements of the domestic and foreign market are manifesting themselves; there still are products for which losses or low economic profitability are registered.

Directing the work of socialist construction, the Romanian Communist Party is orienting the national efforts toward eliminating such discrepancies for good, in order to achieve a generally intensive economy of high efficiency and competitiveness. The party is now asking the communists, all the working people, to raise the technical performances, the profitability of all Romanian products to the level of similar products in other countries, to obtain a bigger rise in national income, especially by intensively using the production capacities, the

material and labor resources of the country and by raising the qualitative level of all products. "It is necessary for us to understand fully," Comrade Nicolae Ceausescu pointed out, "that there is no sector of activity, of material production and, in general, human activity, that does not function on the basis of the principle of maximum efficiency, including economic efficiency and profitability."

Undoubtedly, on a national plane, the new quality in economic activity presupposes--as results from the fundamental orientations and the practical tasks defined by the higher decisionmaking bodies of the party and state--the obtaining of a maximum economic yield with the same production forces. Experience attests that, if the coefficient of product quality rises, the quantity of products made can be even smaller, but the income obtained can be far higher. This is because products with higher functional parameters are far more durable and greatly extend the period up to replacement, which is advantageous for the national economy on the whole and--why not say it?--for the individual consumers. Besides this, high-quality products are bearers of higher values, causing the degree of profitability to rise in the production units and in the economy as a whole.

It is known that, putting first and foremost the raising of economic efficiency in the current 5-year period, the 12th RCP Congress prescribed the more marked growth of the process of utilization of raw materials, so that, compared with 1980, values 2-3 times higher may be obtained from a ton of industrially processed raw material. And this presupposes the achievement of products of a high qualitative level, which incorporate to a far higher degree, not raw material and supplies, but technical thought, finishing and other elements of reliability and competitiveness. Experience attests, for instance, that the value obtained from a ton of processed metal is about 4 times higher if, say, electronic apparatus is made instead of rolled plate, while the value obtained from a cubic meter of processed wood is 3 times higher in the case of making period furniture instead of turning the wood into cellulose or paper. If we correlate all these economic realities with the more marked growth of labor productivity stipulated in the special program adopted last year by the high forums of the party and state, it follows that the blending of the two factors--productivity and quality--leads to a substantial rise in value and thus in profits.

Consequently, quality is--and it cannot be otherwise--closely related to economic efficiency, a new, higher quality in the national economy, requiring the as full use as possible of the production forces, of the material and human resources, of the conditions created by socialist ownership, by the organization and management of the economy, of the whole society, according to socialist principles, and securing a higher and higher economic yield. Precisely this explains the quite special importance that the qualitative and efficiency aspects of economic and social activity are assuming in the current stage.

It goes without saying that such a view which is the basis of economic activity poses quite special tasks. They refer both to the complete attainment of the objectives put in the plan for 1984, to the promotion of products of high economic value, of high quality and efficiency, and to the understanding by all working people of the necessity of intensively developing the economy, to the

formation of advanced economic thought, based on knowing the factors of profitability, on eliminating the backward mentalities, which rely on administrative measures in economic activity, are inured to obsolete products and technologies, to high material and energy consumptions, to slackness in technical thought. Now, more than at any time in the past, in order to attain higher economic efficiency through higher quality, it is necessary, among other things, to stimulate innovative thought, scientific and technical creativity, to promote a modern economic outlook that puts in the center of attention the better utilization of the technical base, of raw materials, of the work force, of the achievements of Romanian science and technology, and to obtain maximum economic efficiency.

A special importance in this regard is attached to /the preparation, on the initiative and under the direct guidance of the secretary general of the party, Comrade Nicolae Ceausescu, of the Program Regarding the Raising of the Technical and Qualitative Level of the Products in the 1983-1985 Period and up to 1990/ **[in boldface]**, which has created a better framework for the activity of providing quality and of metrology. This had led, in practice, to the growth of quality and of the technical level, to the achievement of products with better technical and economic characteristics and performances, to the growth of the competitiveness of Romanian exports on the world market.

Pointing out the good results obtained in implementing the Program Regarding the Improvement of the Technical and Qualitative Level of the Products, approved by the plenum of the RCP Central Committee in November 1983, the Political Executive Committee of the RCP Central Committee, in the session of 24 February of this year, noted, at the same time, that in this field a number of shortcomings also continued to manifest themselves in 1983, with the results of some economic activities not yet being on a par with the technical equipping and the experience of the staffs of working people. Starting from all these things, the Political Executive Committee of the RCP Central Committee adopted /the Decision on the Intensification of the Technical, Organizational and Political Actions and Measures for Implementing the Program for Raising the Technical and Qualitative Level of the Products/ **[in boldface]**. Strongly stressing the fact that, in the center of their concerns, the managements of the ministries, industrial centrals and enterprises, the party, trade-union, UTC **[Union of Communist Youth]** and women's bodies and organizations and the other mass and public organizations must constantly put, as a basic problem, the radical improvement of product quality, the Political Executive Committee asked that political, organizational and technical steps be taken later "which would cause the use of the technical-material base and the work force at a higher level and with maximum efficiency with a view to achieving products that would meet the economy's requirements from all viewpoints and would ensure the continual growth of their competitiveness on the foreign market."

A Factor That Determines the Value and the Use Value of the Products

Defined in economic thought and practice as all of the properties (traits) of a product, as the extent to which they meet needs specific to society as a result of the technical, economic and aesthetic performances, the reliability and the degree of utility and economic efficiency that they provide, product

quality is a complex and dynamic notion. It is in a relationship of determination with the level of the technical equipping of the enterprises, with the quality of the raw materials, with the degree of training of the work force and with the skill of the labor. Nothing can be viewed statically, immutably in the field of quality; the most harmful economic attitude would be self-satisfaction, confinement to making the same products, stagnation of technical progress.

Product quality requires the taking into consideration of a large and varied number of factors that combine to achieve it. Among them, the studies on political economy synthesize, in the main, a few groups of specific elements that influence the making of the products, the attainment of the desired coefficient of quality and efficiency. Among them, we can list: 1) technical elements, which involve the conception and manufacturing technology, the technical and functional parameters of the products, the operational reliability and others; 2) economic elements, which express the level of the labor productivity, of the expenses occasioned by making and using the products and of other costs; 3) ergonomic and aesthetic elements, which refer to the degree of finishing, design, other qualitative aspects connected with providing labor safety and others; 4) social elements, which refer to those qualitative aspects, to those components of the products that must contribute to labor safety, environmental protection, the prevention of noise and of the phenomena of air and water pollution and others.

The conceiving and making of products of a high qualitative level (useful and profitable products) presuppose complex and unitary concerns of all production and sales personnel in fields such as the prospecting of the domestic and foreign market, documentation, scientific and technological research, design, the organization of production, technical quality control, the making of technological tests and the checking of the product's behavior at the recipient's.

Starting from these realities, the Program Regarding the Improvement of the Technical and Qualitative Level of the Products in All Branches of the National Economy proposes a complex system of measures that would lead to the improvement of the manufacturing technology, the technical and construction characteristics of the products, and the manufacturing structures and, on this basis, to the substantial growth of the degree of utilization of raw materials, to the reduction of material expenditures, to the raising of the efficiency of production and to the growth of the competitiveness of Romanian goods in international exchanges. To this end, provision is being made for the modernization of the products under manufacture, the assimilation of new, higher-quality products and the raising of the technical-material, construction and functional performances of the products made.

The program approaches the problems of product quality in a wide, complex view, which combines the concerns for improving the functional, construction and reliability characteristics with those for raising the economic efficiency and profitability, among them there being, in particular, the level of the consumption of raw materials and supplies, of labor productivity, of production costs, of the utilization of raw materials, and of the growth in economic efficiency in exportation.

The program defines clearly the measures that are required--on various levels of economic and production activity and according to production branches--in order to attain the stipulated growth in the technical and qualitative level of the products, as well as the stages and periods of application of these measures, so that the desire of raising all Romanian products to the level of the world parameters may be fulfilled by about 1990, or even sooner.

Finally, the program sets the tasks both of the production and economic units and of the central and local management bodies for raising the technical and qualitative level of the products, the degree of utilization of the raw materials and supplies entering into manufacture, and the economic efficiency.

As is noted with good reason in the program, as a result of the technical equipping of the enterprises, the rise in the degree of training of the worker personnel and the increased profitability in labor, Romania is now achieving a number of highly technical products competitive on an international level, including tractors, bearings, excavators, seagoing ships, aircraft, various types of electric motors and metalworking machines, electronic apparatus of various types, varied assortments of cloth, garments, knitwear, footwear, glassware and chinaware, some chemical, pharmaceutical, household-use and food products and others.

The program points out that some products that are not on a par with similar products made in other countries are also under manufacture, stressing the necessity of concentrating the efforts with priority on such products, in order to generally raise their qualitative parameters, enlarging in this way, more and more, the range of high-quality goods offered to the domestic market and for exportation. It is clear that the modernization of the products made and the expansion of the manufacture of highly technical, highly reliable assortments constitute a sure way to increase exportation, to raise the degree of utilization of Romanian products on foreign markets.

For precisely this reason--it seems important to us to note this--the program contains as a main objective of the concerns the general improvement of the technical and qualitative level of the products made, so that the percentage of products that are at the world parameters may reach 69 percent in 1985 and nearly 85 percent in 1987 and may approach 95 percent in 1990 and part of the products--at least 2-3 percent of those made--may attain supremacy in the world, passing the level reached by the best similar products in the world.

Our society possesses wide possibilities of attaining this objective of national importance. A new industrial tradition has been formed in our country, scientific research has been developed, good construction experience has been accumulated, and the working people have improved their skill in production. It can be said that, at the current level of technical equipping and of professional experience of the working people, the attainment of the qualitative parameters stipulated by the program depends decisively on using these gains as fully as possible and promoting organizational and management measures that would focus the concerns of all the working people on the priority fields.

Those directions of activity, those measures that have wide applicability, involve all of the production sectors and lead to the raising of the technical

and qualitative performances of the products and of production on the whole should be noted, if only briefly. Among them, the following, through their sphere of generality, command attention: 1) the analysis of the technical, economic and functional parameters of each product under current manufacture or under assimilation and the establishment of measures for modernizing or redesigning the ones that do not meet the technical and qualitative requirements, securing the raising of the technical parameters, of the reliability and of the degree of finishing and international competitiveness; 2) the development of our own activity of conception, design and assimilation and the development of the activity of innovation and invention in order to solve on our own the problems that are raised by production, technical progress and the achievement of highly technical products with a special industrial and commercial aspect and with high economic efficiency; less redtape and more innovation are needed, the latter being the key to new achievements in high-quality production; 3) the continual supervision of the quality and functional parameters of the products made, the comparison of them with the best similar products in the world, and the formation, for this purpose, of a bank of technical and economic data referring to similar products in other countries; 4) the wide-scale use of the results of scientific research, the shortening of the periods for applying these results in production, and the supervision of the attainment of the anticipated qualitative and economic efficiency; 5) the analysis of the manufacturing technologies, the abandonment of obsolete, inefficient ones and the promotion of new, modern technologies that would raise the technical and qualitative level of the products and keep it at the highest parameters in the world; 6) the continual modernization of the machines, equipment, installations and measurement and control apparatus, the assimilation of new ones, with higher technical, qualitative and economic parameters, into manufacture, and the wide expansion of the automation and mechanization of production; 7) the careful and strict supervision of the quality of the raw materials, supplies, subassemblies and parts included in the manufacturing process that condition the attainment of the technical and qualitative level of the products; 8) the improvement of the professional, technical and scientific knowledge of the worker personnel, the arming of them with all the knowledge needed for manufacturing, and the cultivation of responsibility, of patriotic pride for the quality of the products, for the mark of the factory in which they work, for the international economic prestige of socialist Romania.

Undoubtedly, this list is far from concretizing all the ways, all the measures that can lead to growth in the quality and economic efficiency of the products made. What we would like to stress, however, is the obligation--established by the legal regulations--to prepare at the level of each enterprise individual programs according to products for raising their technical and qualitative level in 1984, for modernizing the products under current production and for improving the manufacturing technologies, the aim being to increase their quality and reliability, their economic value in international exchanges.

The Raising of the Qualitative and Technical Level of Production

From economic practice it is known that the technical level of the products, their quality and, moreover, the steady achievement of the planned production on schedule depend directly on the quality of production. We understand by

this notion the quality of the production activity of the enterprise, the quality of the manufacturing processes, quality determined by a number of components of it such as the quality of the organization of production and labor, the quality of the technological processes, the internal order and the disciplinary situation, the quality of the enterprise's general activity, of all its components and of the dealings with other socialist units.

In the system for organizing and managing our national economy, the enterprise constitutes the basic, decisive unit of material production. There the production processes are carried out, there the planned production is achieved, the actions of cooperation with other enterprises are finalized, and the deliveries of products for the domestic market and for exportation are initiated. For precisely this reason, the proper organization and performance of the activity of the enterprise constitute a sine qua non condition for fulfilling the plan provisions both quantitatively, in the stipulated assortments and physical outputs, and qualitatively, at the level of the technical and functional parameters and other parameters that give value and use value to each product.

Projecting this reality onto the plane of the concerns for raising the qualitative level and efficiency of the products made, there results the necessity of continual attention on the internal life of the enterprise, so that it does not affect, but, on the contrary, facilitates, stimulates the fulfillment of the plan targets and the growth of the quality of the products made.

The proper organization of production and labor is undoubtedly in the forefront of the concerns. Under the conditions of the current technical equipping and the existence of the work force of a high professional level, organization is a decisive element in the proper functioning of each socialist unit; the fulfillment of the plan and the programs drawn up for this year and for the future depend on it to a decisive degree. "We are in such a stage of our society's development," Comrade Nicolae Ceausescu remarked, "that quality in the entire activity, proper organization and management of all sectors, and concrete organizational work constitute the decisive factor in steady progress."

Without pretending to a complex and complete explanation, it seems to us that at least the following are among the attributes of the organizational activity of the enterprise, as permanent objectives of a priority nature: 1) the rigorous planning and the scheduling of production so as to secure the complete attainment of the output set by means of the plan on the basis of charging all departments and all workplaces with production tasks; 2) the organization of the activity of conception, research and design of a nature to lead to the modernization of the products under manufacture, the assimilation of new products and the growth of their qualitative parameters; 3) the organization of production and labor, the giving of rational dimensions to the work shifts, and the providing of normal, functional links between shifts; 4) the scientific setting of the worktime, the output and the consumptions with a view to efficiently using all production capacities and all personnel, steadily raising labor productivity and reducing material and energy consumptions; 5) the achievement of natural links between the workplaces, shops, sectors and sections in order to ensure the normal circulation of raw materials, semiproducts and finished products, to avoid bottlenecks, any factors that can impede production and can

affect the quality of the products and the attainment of the anticipated efficiency indicators; 6) continual concern for the proper technical-material supply and the sale of the products made to customers, so as to maintain continuity in production, to avoid lulls or intermittent work; 7) the providing of the financial resources needed for production and economic activity and the proper fulfillment of the income and expense budget; 8) the sensible use of personnel, the establishment of an optimum ratio between the production personnel and the auxiliary personnel, and the organization of the training, retraining and improvement of the technical and professional training of all personnel in accordance with the requirements generated by the introduction of new manufacturing techniques and technologies; 9) the providing of order, discipline, quality control, and control of the general activity of the enterprise.

Under the conditions of our socialist society, when the worker personnel are operating in the threefold capacity of owners, producers and beneficiaries, the enterprise is asserting itself as a complex productive economic system, as a living social organism that performs a number of specific functions, among which there are in the forefront: the productive function; the function of conception, research, design and assimilation; the economic and financial function; and the social and educational function. The fact that product quality, economic efficiency and profitability are connected with the quality in performing such functions seems worth underscoring to us. In the final analysis, it is a question of providing the climate needed for the proper functioning of the enterprise, a high-quality climate--we might say--characterized by order, discipline and responsibility, by a creative, inventive spirit, by socialist competition, both on the plane of conception, of creativity, and on the plane of the physical labor for carrying out production. Socialist order and revolutionary labor discipline, adopted and observed as a mode of existence and work by everyone, invigorate the staff, fructify its creative powers and guarantee plan fulfillment and vigorous progress.

We would like to also note the fact that the improvement of the relations along the line of production and sales--this contributing to the proper technical-material supply and to the proper selling of the products made--constitutes a permanent requirement for the proper functioning of the enterprise, of any socialist unit. As Comrade Nicolae Ceausescu remarked, "The equipping of the enterprises with modern technology and the rapid application of the gains of modern science to production are leading to the expansion of the division of social labor, to the intensification of the ties of cooperation and specialization between the enterprises, branches and subbranches." The existence of the industrial centrals, which group into an economic microcomplex several enterprises and units for research, design and sales of products, facilitates the scientific organization of the production and circulation of material assets, the active cooperation between the socialist units, the solving of the problems of production and economic and social activity at a higher level, and the harmonious fitting of the enterprises into the so complex mechanism of the national economy.

The Decisive Contribution of Scientific Research and Technological Engineering

In our party's view, the use of the results of scientific research in production is an essential requirement for generally raising the quality of the

products, there being among the basic functions of the enterprises the organization of their own activity of conception, research and design and the matter of assimilating and promoting in production the results of scientific research that can lead to the fulfillment of the desire of raising the quality of the products and their economic efficiency. Under the conditions of the current era, in which the stronger and stronger affirmation of the scientific and technical revolution constitutes a specific trait, material production is inconceivable without the contribution of scientific research and technological engineering, with science becoming--in its specific way--one of the most important components of the production forces.

Scientific research and technological engineering represent the primary factors that can influence the quality of production and of the products. They make qualitative improvements in the products under current production and invent new products, with higher parameters, in the laboratories, on the drawing board and in the pilot stations. They substantiate new, modernized technologies, without which it is not possible to achieve modern products of high economic competitiveness. They stimulate and support the struggle for a new quality by achieving new raw materials and supplies, with higher performances, and substitutes and by improving traditional raw materials and supplies. They shed light on productive economic practice by clarifying the methods of action of the economic laws and contribute to the proper performance of it, offering concrete organizational solutions and suitable methods of activity.

From this springs the constant concern that our party and its secretary general are showing for the stimulation of scientific research, for technological engineering, for the blending of production with science and for the shortening of the periods for assimilating and introducing into production the results of research. In the report to the National Conference of the Romanian Communist Party in December 1982, Comrade Nicolae Ceausescu asked for "a stronger concentration of the forces of the research institutes in order to solve the technical and technological problems that are laid before the enterprises and the national economy, to improve the technologies, to reduce consumption, to raise the technical and qualitative level of the products."

Carrying out the policy of the Romanian Communist Party, its general orientations and the concrete tasks contained in the programs adopted after the ninth congress, scientific research, under the direct guidance of Comrade Acad Dr Eng Elena Ceausescu, has attained remarkable results in the most diverse fields, once again making evident the creative virtues of the Romanian people. As is judged in the party documents, the level of scientific research has risen, an organic connection with the requirements of life and of economic practice has been provided and a number of new technologies, new products and new raw materials and substitutes have been devised.

The view on increasing the contribution of scientific research and technological engineering to raising the technical level of the products is based on the requirements of quality and efficiency. In this view, on the one hand, the research activity is subordinate to, is subsumed under, the solving of the concrete, current, priority problems of industrial and agricultural production and of economic and social progress and, on the other hand, the topics of the

present are combined, in a coordinated effort, with the long-term view, with the practical research being closely related to the basic research.

Viewed from the angle of the subject that concerns us in this study--namely, the raising of the qualitative level of the products and the growth of economic efficiency--the priority objectives defined by the party and state for scientific research and technological engineering can be synthesized as follows: the assimilation and the introduction into manufacture of new products, for which the functional, construction and reliability characteristics and the operating parameters are competitive with the best achievements obtained in the world; the further helping of the enterprises to solve the technical and technological problems regarding the raising of the technical and qualitative level of the products, the growth of labor productivity, the reduction of consumption, the improvement of the manufacturing processes, and the rapid introduction of the results of research into production; the production of new raw materials, substitutes and supplies with better characteristics, necessary to the national economy; the devising of new technologies; the improvement of the existing ones with a view to the reduction of energy and material consumptions and to the better and complex utilization of raw materials and supplies; the devising of technologies for using recoverable materials; the identification and utilization of new sources of energy; and others.

As social practice attests, research and design truly justify their mission and the material and intellectual efforts invested only insofar as they contribute to technical progress, to the growth of material production, of national income, of the nation's standard of living. On the other hand, under the conditions of the modern scientific and technical revolution, when newer and newer discoveries are appearing, any delay in introducing into production the results of research, the new technologies and products, means to mark time, to lag behind in the field of technical progress and production. For precisely this reason, the matter of shortening the research-production cycle as much as possible constitutes a law of economic activity, since the shorter this cycle, the greater the efficiency of scientific research and its contribution to technical and economic progress.

The Higher Training of the Worker Personnel

The political economy and the philosophical outlook of scientific socialism define and judge the working person as the main component of the production forces and, consequently, of all material production. The functionality of the means of production, the use of the technology on hand and of raw materials and supplies, and the volume and quality of the production achieved are closely connected with the size and quality of the work force. Economic practice attests that the quality of the labor and production and, in the final analysis, the quality of the products depend on the level of training of the work force, complex, multilateral training. The new quality to which we aspire in all fields of economic and social activity presupposes a new man, with a wide political and ideological horizon, a wide horizon of knowledge, a wide cultural horizon, with solid professional and technical training, with a broad dialectical world view. "The improvement of management and the growth of the role of the collective bodies in achieving self-management and self-administration,"

Comrade Nicolae Ceausescu remarked, "require, as an objective necessity, the raising of the professional and technical level, of the degree of training of all worker, engineering and technical personnel, of the personnel in the economic field and of the management personnel. Without constantly concerning ourselves with raising the level of training and skill, we will not be able to properly attain the objectives that we propose!"

For Romania--a socialist country in the middle of the process of development--the problems of the technical and professional training of the worker personnel have some particular characteristics that require their placement in the center of the concerns of the competent bodies. It is a question, first, of the fact that--a result of a wise investment policy, meant to secure the recovery of the gaps with regard to other countries and a sensible territorial placement of the production forces--industry has had a rapid rate of growth, requiring the employment of a large number of people in production. In the 1951-1981 period, for example, 5,217,000 workplaces were created in the national economy, including 3,411,000 in industry and 615,000 in construction. The employed population in the national economy now amounts to about 10.5 million persons, of which worker personnel represent over 7.4 million persons; the number of specialists with higher education is about 558,000 persons. Nearly half of the country's population is below 30 years of age, which indicates the youthfulness of our socialist nation. But precisely this lays before society special tasks along the line of school training, professional instruction, and education. The fact that newer and newer generations of young people and other working people are entering the gates of the socialist units--150,000-200,000 persons per year, on the average--obliges the school institutions, the public organizations and the managements of the enterprises and institutions to provide good professional training, the furnishing of the technical and scientific knowledge required for the production process, for performing the entire economic and social activity of the enterprise. Referring to such requirements, Comrade Nicolae Ceausescu says: "It can be said that the raising of the training of those who work is decisive for securing the further development of our country at a high rate, for carrying out the party's program. This is why it is necessary to take all steps for the professional formation of the young people at a high level, for the improvement of the training of all personnel, for the updating--through re-training, in accordance with the provisions of the law--of the knowledge of all the working people, including the technical and management personnel."

As is known, in the process of the country's industrialization, the construction, transportation and agricultural industrial units have been equipped with modern means of production. As a result of the general economic policy of the party and state, based on the use of the newest achievements of science and technology, the country's production units, in accordance with the specific requirements of the manufacturing technologies, are being equipped with more and more modern means of production, with technology of higher and higher reliability; at the same time, the mechanization, automation and chemicalization of the production processes are being expanded and the supplying of modern technology for computation and for measurement and control is occurring--all these things making the training of the worker personnel an always open problem, an always topical task.

The requirement of knowing and correctly handling the technical means on hand is undoubtedly in the forefront. Today, in economic practice, it is known that both the quantitative attainment of production, the level of labor productivity, and the general technical and qualitative level of the products made depend directly on the worker's skill, on his professional ability, on the correctness with which he uses the means on hand. Precisely from this comes the task of the working people's council and the operational management of the enterprise of ensuring the systematic instruction of the worker personnel in knowing and using the machines, equipment and installations at which they work, this being a primary duty, first and foremost, of the chief engineers, foremen and other leaders of the work formations. We recall the fact that the law stipulates that the foreman is responsible for instructing the subordinate workers in the way of doing the work, that he must directly perform the operations or maneuvers with a high degree of difficulty until they are fully mastered by the subordinate workers.

Along this line of thinking, it seems proper to us to indicate the importance that is attached to the multilateral training of the workers in the units building industrial machinery, tools and equipment and those in the system of industrial, agricultural and civil construction. It is no secret to anyone that the technical performances of the products of the machine-building industry presuppose multilaterally trained workers, technicians and engineers, possessing technical knowledge, knowledge of physics, strength of materials and so on. They must know how to use the working designs, must know the manufacturing operations in their logical sequence, must possess the professional skill required for the general assembly of the finished products, must know all the technical requirements on which the finished product's quality and its technical and functional parameters depend and must follow them in all respects in the manufacturing process.

The matter of knowing and rigorously following the manufacturing technologies has a decisive role in providing the technical and qualitative level and the projected parameters of the products under manufacture. It is necessary to start from the fact that the natural and necessary process of renovating the products--stipulated in the sole national plan for economic and social development of the country--is based on modernizing the manufacturing technologies, on promoting new, highly complex and efficient technologies. Hence, the necessity that all personnel engaged in making the respective products be instructed in the new technologies, know them in detail and correctly perform the prescribed technical operations in the manufacturing processes of the products, seeking to faultlessly achieve them, in conformity with the models or the technical reference materials.

At the same time, it is necessary to take into account the dynamics of technical progress, the qualitative changes that are occurring in the manufacturing process, the modernizations made in the equipment on hand, and the technical and functional characteristics of that with which it is planned that the unit will be supplied later. This requires systematic scientific and technical information and documentation for the worker personnel, the continual updating of the specialized knowledge, and even the retraining of the work force, which underscores the special purposes and the permanence of retraining in the activity of running each enterprise.

Consequently, specialized, technical and professional training is a sine qua non condition for production activity of high quality and efficiency, with economic, political and ideological training also being on the same plane of importance. The enterprise is a complex unit; it performs not only a productive function but also other important functions, among which the economic and financial one and the social and educational one are of the first order. Today, more than at any time in the past, production is connected with efficiency, and growth in product quality must be materialized in better utilization of raw materials and supplies and in growth of profits. Consequently, the following are of special importance: the instruction of the personnel in the economic problems of the enterprise; the mastering of the economic categories with which the sole national plan operates, including, in particular, the problems regarding labor productivity, material and production expenditures, cost price, commodity output, net output, profitability and profit, to refer to just a few; knowledge of the laws and other regulatory acts that regulate the economic and production activity in the enterprises; the formation of advanced economic thought, based on knowing and using the intensive factors of economic growth; and so on. If we add to all these things the concern for the political and ideological training of the personnel, for the knowing of the party's domestic and foreign policy and its ideology, for the formation of an advanced, revolutionary view on the world and society, based on the outlook of dialectical and historical materialism, it becomes clearer to us how numerous the possibilities are of higher-quality training for the worker personnel, viewing this training as a requirement for raising the qualitative parameters of production and, at the same time, as one of the major requirements for the development of working-class, revolutionary democracy.

The Quality of the Products and the Quality of Life

It is known that the program of the Romanian Communist Party and the decisions of the 12th congress note as a supreme goal of the general policy of the party the continual growth of the material and spiritual well-being of the whole populace, the growth of the degree of civilization of our society, the attainment of a new quality of life in socialist Romania. From this also comes the close connection that exists between the general growth of the qualitative level of the products made and delivered to the market and the growth of the quality of life.

We do not intend to concern ourselves here with the quality of life in its general respects, on a national level, which define the conditions for the full affirmation of the human personality on the plane of social life or on the plane of the environment and the biological milieu, but we would like to make just a few remarks about the life of the enterprise, about the environment in which the production activity is performed and which, in one way or another, influences the results of the labor, the quality of the products, and the final aim of production and of the economic and financial activity. We start from the conclusion that good organization of production and labor and good organization of the internal life of the enterprise have positive repercussions on the general course of production and, implicitly, on product quality. If we view the enterprise's activity from the perspective of the provisions of the program for quality and efficiency to which we are referring in this article, then it seems

proper to us to stress that it is necessary now, more than at any time in the past, that in their concrete activity the working people's councils and the decisionmaking personnel of the enterprise seek to solve with priority the problems that could impede production, could intrude upon the workers at the workplace, lessening their attention on the technological processes, creating the danger of rejects or manufacturing flaws and preventing full use of the work-time. We thus reach the conclusion that one of the basic tasks of the working people's councils, in their concern for the technical level and quality of the products made, is to increase the quality of the professional life of the plant, understanding by this the optimization of the conditions in which the professional activity of the working people--that is, production, the making of the products--is performed, the optimization of the individual workplaces and of the work in formations, according to sectors and sections, and in the plant on the whole. In this regard, Comrade Nicolae Ceausescu said: "Starting from the reality that our society is a society of labor, that labor represents the only chance of growth in national wealth, we feel that no effort is too great when it is a question of the working person, of his living conditions, of raising his standard of living, the degree of civilization. Consequently, we are making efforts to create such working conditions that everyone can utilize his capacity, personality and talent and enjoy to the utmost the results of his labor."

Of course, among these requirements there are, as factors that contribute to the normal performance of work, both the material supply, the providing of tools, devices and gauges, of measurement and control instruments, the securing of the proper circulation of the semiproducts and parts between the workplaces, sections and sectors, up to the general assembly and the delivery of the finished products, and the optimization of the working conditions at the place of production, so that the worker can utilize his professional skill, his technical knowledge, can avoid the extra efforts caused by poor organization of labor. New meanings are thus given to ergonomics, the science that studies the interaction between man, machine and work environment, is concerned with the optimization of the workplaces--the sensible placement of the machinery and equipment, in accordance with the requirements of the technological flow, the correct use of lighting in the workplace and so on--all these things pursuing the growth of profitability and of labor efficiency and, ultimately, the creative development of the personality of the working person.

Consequently, the raising of the quality of professional life, of the quality of the work environment in which production is carried out, is a primary essential condition for achieving the products at the projected qualitative parameters, the second one being to raise the quality of social life, understanding by this the matter of providing for the worker personnel all the conditions for achieving the incomes that are their due by virtue of the labor performed, as well as the services that help, on the one hand, to preserve the capacity for work, to fortify the organism, to care for the health of the worker personnel and, on the other hand, to expand the horizon of technical and scientific knowledge, the horizon of understanding, the cultural horizon, to form a new social behavior, based on the communist principles of work and life.

In this context, one should note the obligation of the working people's councils and of the operational managements of the enterprises to rigorously apply

the legal provisions referring to payment for work, securing the application of overall piecework pay and seeing that everyone achieves both the physical output stipulated in the plan and in the economic contracts concluded with customers and the conditions put in the overall piecework contract with regard to complying with the planned consumptions and the planned quality parameters and achieving the production for exportation at the levels of the parameters of competitiveness and reliability demanded by the international market. It goes without saying that precisely the attainment of these indicators creates conditions for increasing the variable part of the working people's incomes, including increasing the piecework increment, the quotas for forming the fund for participation by worker personnel in the achievement of production and profits and in the distribution of them, the quotas for rewarding those with special contributions to the achievement of exportation, and the quotas for forming the fund for annual bonuses and for bonuses for special achievements during the year.

On the other hand, the significance of the activity of education, of raising the level of culture, a factor meant to make each enterprise and institution a strong center for forming the new man, with a wide horizon of culture, with a high socialist consciousness, should be underscored.

Consequently, the raising of the efficiency of economic and social activity entails the better utilization of natural resources and of the production capacities and the raising of the qualitative parameters of the products and of the standard of material and spiritual living of the masses, along with the improvement of the entire activity of organization and management, which should be concretized and finalized in the rational, more efficient use of the work force, of the personnel which the national economy in its entirety possesses.

12105

CSO: 2700/181

DATA ON INDUSTRIAL INSTALLATION EXPORT ENTERPRISE

Bucharest ERA SOCIALISTA in Romanian No 6, 25 Mar 84 pp 41-43

[Article by Liana Melteanu: "Through the Newest Technology to Quality and Competitiveness"]

[Text] This year, we are celebrating four decades since the historic 23 August 1944 and, this year too, the 13th party congress is to be held; these are historic events to which, throughout the homeland, the creators of material and spiritual assets are dedicating, daily, numerous and exemplary feats of labor.

The efforts of the workers in the foreign trade system, engaged with all their might in carrying out the policy of our party and state in the field of foreign trade and international economic cooperation, form an organic part of this picture, filled with creative effervescence.

As is known, in conformity with the orientations and instructions of the secretary general of the party, Comrade Nicolae Ceausescu, and with the Law on the Sole National Plan for Economic and Social Development of Romania for 1984, foreign trade activity constitutes a central problem of the plan for this year, a plan that, through its provisions, is to secure more and more active participation, with greater efficiency, by our country in international trade exchanges. Thus, in this 4th year of the 5-year period, the volume of foreign trade is to rise appreciably in comparison with last year.

The special attention that our party and state are devoting to foreign trade, especially to the development and diversification of exportation, results as an objective necessity of the greatest significance in the stage through which we are passing, a necessity dictated by economic and social reasons rigorously determined according to scientific criteria. It is natural that this be so, since only by continually increasing exportation at higher and higher rates is it possible to secure the imports strictly necessary for developing our national economy, the further achievement of a positive balance of trade and, in this way, the gradual payment of the foreign debt.

In the total Romanian exportation for the current year, a big percentage goes, as in other years, to the machine-building industry, which, through the products that it achieves, is called upon to utilize for exportation, with maximum efficiency, the technical and technological potential that it possesses.

Being one of the most representative foreign trade enterprises in Romania, specializing in the exportation of complex industrial installations and having over 25 years of experience in this field, the Uzineexportimport Enterprise is called upon to perform highly complex and responsible tasks from the country's foreign trade plan for this year.

Of course, putting the main accent on increasing the volume and efficiency of exportation, the staff of the enterprise has in view, at the same time, the matter of exemplarily fulfilling the import plan as advantageously as possible. In this regard, the collaboration with the recipients of imports is being expanded systematically and foreign sources are being provided from which the most valuable installations and technologies can be obtained.

At the same time, in conformity with the principles of the foreign policy promoted by our party and state, Uzineexportimport is closely concerned with expanding the cooperation, on many planes, with specialized firms in the socialist countries and the developing countries--with firms in all countries of the world, regardless of their social order. The ways to develop foreign trade relations and the forms of international economic cooperation take on various aspects: in the field of production, of technology and of selling the products. So, for example, Uzineexportimport has been, for several years, a shareholder in several joint societies for production and marketing of products and, in the near future, will achieve other joint societies, on mutually advantageous bases, contributing, in this way also, to the growing participation of the machine-building industry of our country in the world circuit of values.

Owing to the successes obtained from one year to another by the "industry of industrialization," as the machine-building industry is called, Uzineexportimport is able to offer to clients abroad turnkey industrial facilities, understanding by this deliveries of equipment, of designs, of technical documentation, engineering, know-how, technical assistance in installation and startup, the training of the personnel to run the installations, and other services that the achievement of a complex industrial facility entails.

Through its multilateral activity, the enterprise is present in all corners of the globe, it being known as a world-famous firm in the trade in complex installations. Its reference list contains hundreds of industrial facilities offered, over the years, to various countries of the world. Among the achievements in recent years, there can be mentioned a television factory in the Korean Democratic People's Republic, 2 concrete plants in the Islamic Republic of Pakistan, 21 beverage-bottling lines in the People's Republic of China, a port grain silo in Libya, an iron-ore-pelletizing plant in India, a cement plant in Syria, 2 cement plants in Iraq, an iron-ore-agglomerating plant in Turkey, a cement plant in the People's Republic of China and another in the Arab Republic of Egypt, and many others.

To this brief list of complex industrial facilities are added the deliveries of equipment, designs, technical documentation, know-how and various other services that continually enrich the calling card and put Uzineexportimport among the illustrious business partners in the world. Moreover, this is also the reason why the enterprise now has trade relations with over 50 countries on the planet.

In the last two decades, prestigious successes have been obtained by our country in the exportation of cementmaking lines. As a result of the massive investments made over the 5-year periods, the construction-materials industry in Romania has undergone strong and continual development. To this end, there was provided, first, a research and design base of its own, through the creation of a specialized institute for the cement industry--the Bucharest ICFILA /Research and Design Institute for the Binder and Asbestos Cement Industry/--in which work hundreds of specialists, capable of designing any type of cement plant. At the same time, the institute has a strong research sector, equipped with apparatus and installations of the most modern sort, in which, on a reduced scale, the technological procedures, the equipment and the installations utilized in the cement plants are researched and checked.

At the same time and at the same steady rate as the research and design base, the industry building technological installations and equipment, measurement and control apparatus and automation systems specific to the cementmaking industry was developed and modernized. As a result, the specialized Romanian industry is able to offer to partners abroad, through the Uzineexportimport Enterprise, complete services in the field of the cementmaking industry, including turnkey cement plants, equipped with technological lines, having capacities lying between 800 and 4,000 tons of clinkers per day.

The fact that, during 2 decades (1960-1980), Uzineexportimport delivered abroad 24 cement plants, totaling 40 manufacturing lines, constitutes conclusive proof of the possibilities of exportation and cooperation in the field of the cement-making industry that Romania offers. It follows that, on the average, more than one cement plant per year was exported, a remarkable performance if one considers the fact that the period for achieving such plants is about 3 years.

At present, the cement plants offered by Uzineexportimport to its foreign clients are equipped at the highest level of world technology, providing both the complete utilization of raw materials and the growth of product quality and the substantial reduction of the specific consumptions of supplies, fuel and energy and of the expenditures needed for achieving the respective investment.

Complex installations and equipment for the metallurgical and ferrous-metallurgical industry represent another field of Romanian exportation in which notable successes have been obtained in recent years. From this viewpoint too, the Uzineexportimport Enterprise has become a partner respected by clients abroad.

Among the most important complex installations, specific to the metallurgical and ferrous-metallurgical industry, offered for exportation, there are iron-ore-agglomerating plants, blast furnaces, steel mills with Siemens-Martin furnaces with oxygen injection, with electric-arc furnaces or with LD /expansion unknown/ converters, installations for carbon products, installations for silicoaluminous refractory products, mills for wire, plate sections and pipe, welding-rod plants, installations for processing by extrusion, castings and forgings in a unit weight from 10 to 40 tons and many others.

Such installations have been delivered to countries such as: to the Korean Democratic People's Republic, a mill for 6-inch pipe; to the GDR, an

iron-ore-agglomerating plant; to Turkey, an iron-ore-agglomerating plant; and to India, an iron-ore-pelletizing plant. In addition, Uzineksportimport cooperates with famous foreign firms such as Demag, Sack, Lurgi, Schloemann and Krupp in the FRG, Metalurgimport and Tiajpromexport in the USSR, Skodaexport in Czechoslovakia, Industrie Anlagenbau in the GDR and others, to achieve important metallurgical and ferrous-metallurgical facilities in third countries. Among them, there can be listed the plate mill for the Klockner firm in the FRG, the rolling mill for the Kockeril firm in Belgium, the rolling mill for the Fageta firm in Sweden, the section mills in Iran and others.

In 1984, the export plan of the Uzineksportimport Enterprise is much bigger than in 1983. In order to fulfill completely and at levels of maximum efficiency the extremely mobilizing tasks put in the plan, the staff of the enterprise must work with greater efforts. This is especially because, at present, foreign trade activity is being done under extremely complex international conditions. It is well known that, nowadays, the world economic crisis is making extremely complicated and keen the competition for placing on the foreign market the products meant for exportation and, in particular, the complex industrial installations such as those in the line of Uzineksportimport, which come to values of tens and hundreds of millions of dollars.

In view of the fact that the work in the field of foreign trade, especially under the current conditions, is neither simple nor easy, but presupposes, besides total devotion, solid professional and political knowledge, a spirit of initiative, a capacity for orientation and a power of discernment in choosing the most efficient ways and means of fulfilling the tasks, the enterprise's staff, under the guidance of the party organization, is acting decisively and firmly to fulfill the highly responsible mission and tasks that have been entrusted to it.

Thus, continuing and enriching the tradition and experience of more than a quarter century, the party organization in the enterprise has initiated and is carrying out a sensible program of measures meant to ensure that each member of the staff knows and applies to life the party and state documents and the current legislation on foreign trade. To this end, courses for increasing the professional training and courses for retraining and professional improvement, which all the working people in the enterprise attend, are organized and operate. In addition, periodically, discussions having as topics various aspects of the practical activity of foreign trade are held and roundtables are organized to generalize the positive experience accumulated by operational departments, both in the field of the contracting activity and in that of implementing for exportation the contracts concluded.

The matter of carefully and systematically studying the international economic situation, the trends and the power of "absorption" on certain markets--in other words, knowing in advance what you should sell, to whom, when and under what conditions--is a prime factor in achieving efficient foreign trade.

Through a series of actions, well conceived and continually achieved in practice, the staff of the Uzineksportimport Enterprise is consistently militating to attain these imperatives of foreign trade activity. In this regard, it is

possible to mention the periodic publication of a situation report that puts at the disposal of the workers in the operational departments economic, financial, commercial-legislation and other data, selected both from the specialized periodicals and from the reports of the delegations that have made trips abroad. This report proves extremely useful in the daily activity of contracting and of implementing the contracts. The Foreign Price and Data Bank, organized by the specialized department, and the continual contact that the enterprise has with its many collaborators in the country and abroad also go along this line.

Given the long cycle for carrying out the contracts for the complex installations offered for exportation, the staff of the Uzinelexportimport Enterprise has had and has in view continually the proper organization and maintenance of contacts with business partners abroad. In this direction, there proves to be efficient the measure, applied for several years, of organizing joint bidding and contracting delegations, in which, besides specialists from the enterprise, there are included personnel with high professional and political training from the design institutes and from the units that furnish the equipment and tools needed for achieving the respective industrial facilities.

As life demonstrates, such delegations can solve on the spot, even during the negotiations--of course, within the limit of the mandate given on departure--many technical, technological, commercial and other problems that appear during the negotiations. It should also be added that a stability of the delegations has been achieved, in the sense that the delegation that began the negotiations with a foreign partner is usually concerned, in the same composition, with the finalization of them up to the conclusion of the contract and even with the activity of implementation for honoring on schedule the contract concluded.

As is known, continual improvement of the quality of the products meant for exportation is a requirement of maximum importance for achieving efficient foreign trade. To this end, the party leadership has adopted a number of concrete measures for improving the entire economic activity and for raising the technical and qualitative level of the products. With good reason, quality has become a true "priority of priorities" in the case both of the goods for domestic needs and of those for exportation.

Everything that is produced for exportation must continually keep pace with the requirements of modern scientific and technical progress, must be at least on a par with similar products on a world level. The staff of the Uzinelexportimport Enterprise is acting with good results along this line too. Thus, a team composed of 25 engineers and technicians periodically checks, in the supplying enterprises, whether the equipment for exportation is executed and delivered in conformity with the clauses of the foreign contracts. At the same time, they send to the specialists in the supplying plants technical innovations from the specialized literature and make proposals and suggestions regarding the possibilities of achieving the products for exportation at the highest technical level, with higher quality and with as low manufacturing expenses as possible, products that would be competitive from all viewpoints on the foreign market.

The many and constant concerns of the staff of this enterprise for continually improving their specific activity and, at the same time, for achieving close

collaboration with the design institutes and the factories that deliver the equipment that enters into the composition of the industrial installations offered for exportation have had--as was only to be expected--the anticipated results. The fact that, in 1983, the enterprise's export plan was covered with contracts to a degree of 107.3 percent is indicative in this regard.

The achievements in the preceding year undoubtedly represent a sure premise that the export plan for the current year will also be fulfilled and overfulfilled, with the staff of the Uzineexportimport Enterprise thereby making as great a contribution as possible to the consolidation and development of the economic and commercial prestige that Romania possesses abroad.

12105

CSO: 2700/181

ROMANIA

BRIEFS

WINTER-MARTYNOV MEETING--Moscow, AGERPRES, 7/4/1984--Now in Moscow to attend the 17th meeting of the CMEA Committee for Collaboration in Technical-Material Supply, Richard Winter, minister of technical-material supply and fixed assets management control of Romania, conducted talks with N. V. Martynov, vice-chairman of the Council of Ministers and chairman of the State Committee for Material and Technical Supply of the USSR. Questions were approached related to the expansion of bilateral technical-scientific collaboration and of goods exchanges between the two leading supply bodies. [Text] [AU071744 Bucharest AGERPRES in English 1640 GMT 7 Apr 84]

CSO: 2020/85

END

END OF

FICHE

DATE FILMED

14 May 1984